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RECEIVED

JAN 03 2018

S.D. SEC. OF STATE

1645874

December 28, 2017

**Certified Mail, Return Receipt Requested**

South Dakota Secretary of State  
State Capitol, Suite 204  
Business Division-Bond Information Statement Filing  
500 East Capitol  
Pierre, SD 57501-5070

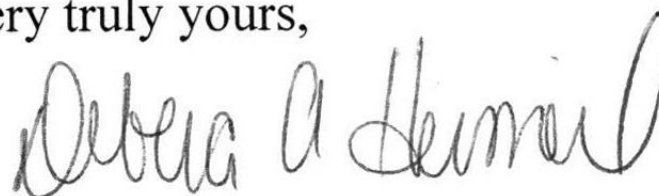
**Re: \$43,255,000 Limited Tax General Obligation Certificates of Participation,  
Series 2017A Evidencing Undivided Interests in Lease Payments to be Made  
by Minnehaha County, South Dakota Pursuant to a Lease-Purchase  
Agreement with U.S. Bank National Association**

Dear Filing Officer:

Enclosed for filing is a Bond Information Statement for the above-referenced transaction, together with a check for the \$10.00 filing fee. A copy of the Official Statement for the above-referenced offering is also enclosed for your reference.

Please return acknowledgment of filing at your earliest opportunity. If you have any questions, please call me at (612) 371-2490.

Very truly yours,



Debera A. Heimerl  
Legal Administrative Assistant

Enclosures

RECEIVED

JAN 03 2018

S.D. SEC. OF STATE

1045874

BOND INFORMATION STATEMENT

State of South Dakota

SDCL 6-8B-19

Return:

Secretary of State  
State Capitol  
500 E. Capitol  
Pierre, SD 57501-5077

FILING FEE: \$10.00

TELEPHONE: (605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of Issuer: Minnehaha County, South Dakota
2. Designation of issue: \$43,255,000 Limited Tax General Obligation  
Certificates of Participation, Series 2017A
3. Date of issue: December 28, 2017
4. Purpose of issue: to finance the construction and equipping of an expanded  
jail including replacement of the existing community  
corrections center, jail intake area and related parking
5. Type of bond: certificates of participation evidencing undivided  
interests in lease payments to be made by Minnehaha  
County pursuant to a lease-purchase agreement with  
U.S. Bank National Association
6. Principal amount and  
denomination of bond: \$5,000 in denominations as set forth in the attached  
Seventeenth Amendment to Lease-Purchase Agreement
7. Paying dates of principal and  
interest: June 1 and December 1 of each year commencing June 1,  
2018
8. Amortization schedule: see attached Seventeenth Amendment to Lease-Purchase  
Agreement
9. Interest rate or rates,  
including total aggregate  
interest cost: see attached Seventeenth Amendment to Lease-Purchase  
Agreement



This is to certify that the above information pertaining to Minnehaha County is true and correct on this 28th day of December, 2017.

LINDQUIST & VENNUM LLP,  
as Bond Counsel

By: Elizabeth R. Aby

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Venum LLP, 2000 IDS Center, 80 S. Eighth Street, Minneapolis, Minnesota (612-371-3535)

**NEW ISSUE****RATING: Moody's "Aa1"**

*In the opinion of Lindquist & Vennum LLP, Bond Counsel, according to federal laws, regulations, ruling and decisions in effect on the date of issuance of the 2017A Certificates, the interest to be paid on the 2017A Certificates is not includable in gross income for federal income tax purposes except under certain conditions. Interest paid on 2017A Certificates is not an item of tax preference includable for purposes of computing the alternative minimum tax applicable to all taxpayers, including individuals, under the Internal Revenue Code of 1986, as amended (the "Code"), however, interest paid on the 2017A Certificates is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Interest on the 2017A Certificates is includable in gross income for South Dakota income tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. The County will not designate the Lease Payments relating to the 2017A Certificates as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "TAX MATTERS," herein.*

**\$43,255,000****Limited Tax General Obligation Certificates of Participation, Series 2017A**

**Evidencing Proportionate Interests of the Owners  
in a Lease-Purchase Agreement between  
U.S. BANK NATIONAL ASSOCIATION  
and  
MINNEHAHA COUNTY, SOUTH DAKOTA**

**Dated: Date of Issuance****Due: December 1, as shown on the inside cover**

The Limited Tax General Obligation Certificates of Participation, Series 2017A (the "2017A Certificates") are being delivered to finance the construction and equipping of an expanded jail including replacement of the existing community corrections center, jail intake area and related parking (the "2017A Project"). The 2017A Certificates represent proportionate interests in payments to be made by Minnehaha County (the "County") under a Lease-Purchase Agreement, dated as of September 1, 1992, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of November 1, 1994, the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997, the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999, the Fourth Amendment to Lease-Purchase Agreement, dated as of December 1, 2000, the Fifth Amendment to Lease Purchase Agreement, dated as of September 1, 2004, the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005, the Seventh Amendment to Lease-Purchase Agreement, dated as of October 1, 2005, the Eighth Amendment to Lease-Purchase Agreement, dated as of October 1, 2006, the Ninth Amendment to Lease-Purchase Agreement, dated as of August 1, 2007, the Tenth Amendment to Lease-Purchase Agreement, dated as of October 1, 2007, the Eleventh Amendment to Lease-Purchase Agreement, dated as of September 1, 2008, the Twelfth Amendment to Lease-Purchase Agreement, dated as of November 1, 2010, the Thirteenth Amendment to Lease-Purchase Agreement, dated as of September 1, 2011, and the Fourteenth Amendment to Lease, dated as of November 1, 2013, the Fifteenth Amendment to Lease, dated as of November 1, 2014, the Sixteenth Amendment to Lease, dated as of October 1, 2016, and the Seventeenth Amendment to Lease, dated as of December 1, 2017 (collectively, the "Lease") with U.S. Bank National Association (the "Trustee").

The County has agreed to levy a tax annually which is intended to provide the Trustee with sufficient revenue to make all Lease Payments under the Trust Agreement as they become due.

The 2017A Certificates are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2017A Certificates. Purchases of beneficial ownership interests in the 2017A Certificates will be made in book-entry form only, in principal amounts of \$5,000 or whole multiples thereof. Beneficial owners of the 2017A Certificates will not receive certificates evidencing their ownership interests in the 2017A Certificates. So long as DTC or its nominee is the registered owner of the 2017A Certificates, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Interest on the 2017A Certificates will be payable on June 1 and December 1 of each year, commencing June 1, 2018. The 2017A Certificates will mature serially on December 1, in the years and amounts as shown on the inside cover.

The 2017A Certificates will be subject to redemption prior to maturity. See "THE CERTIFICATES OF PARTICIPATION – Redemption."

The 2017A Certificates are offered when, as and if issued subject to the opinion of Lindquist & Vennum LLP, Minneapolis, Minnesota, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed on for the County by Aaron F. McGowan, State's Attorney for Minnehaha County. It is expected that delivery of the 2017A Certificates will be made through the facilities of The Depository Trust Company on or about December 28, 2017, against payment therefor.

**Piper Jaffray & Co.****UBS Financial Services Inc.**

The date of this Official Statement is December 8, 2017.

The 2017A Certificates mature on December 1, as follows:

### MATURITY SCHEDULE

#### Series 2017A

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2021	\$ 1,795,000	4.000%	1.820%	603850 GT9
2022	1,870,000	4.000	1.900	603850 GU6
2023	1,945,000	5.000	2.000	603850 GV4
2024	2,040,000	5.000	2.050	603850 GW2
2025	2,145,000	5.000	2.110	603850 GX0
2026	2,250,000	5.000	2.200	603850 GY8
2027	2,365,000	4.000	2.250	603850 GZ5
2028	2,455,000	4.000	2.320	603850 HA9
2029	2,555,000	4.000	2.440	603850 HB7
2030	2,655,000	4.000	2.500	603850 HC5
2031	2,765,000	3.000	3.040	603850 HD3
2032	2,845,000	3.000	3.090	603850 HE1
2033	2,930,000	3.000	3.140	603850 HF8
2034	3,020,000	3.000	3.190	603850 HG6
2035	3,110,000	3.000	3.240	603850 HH4
2036	3,205,000	3.125	3.270	603850 HJ0
2037	3,305,000	3.250	3.300	603850 HK7

\*\* CUSIP ® is a registered trademark of the American Bankers Association. The CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the County nor the Underwriter takes any responsibility for the accuracy of such CUSIP Numbers.



## OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell the 2017A Certificates in any state or other jurisdiction to any person whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman, or any person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2017A Certificates, and if given or made, such information or representation must not be relied upon.

The information set forth herein has been obtained from the County, DTC, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County, Municipal Advisor, Underwriter or anyone acting on its behalf. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2017A Certificates shall, except as specifically stated herein, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION OF THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

THE 2017A CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SECTION 3(A)(2) OF SUCH ACT.

Any CUSIP numbers for the 2017A Certificates included in this Official Statement are provided for the convenience of the owners and prospective investors. The County is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the 2017A Certificates or as set forth in this Official Statement.

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## **OFFICIAL STATEMENT**

**\$43,255,000**

**Certificates of Participation, Series 2017A  
(Limited Tax General Obligation)  
Evidencing Proportionate Interests of the Owners  
in a Lease-Purchase Agreement between  
U.S. BANK NATIONAL ASSOCIATION  
and  
MINNEHAHA COUNTY, SOUTH DAKOTA  
INTRODUCTION**

### **Definitions**

Certain terms used in this Official Statement, if not defined herein, are defined in Appendix A hereto.

### **General Description**

The purpose of this Official Statement, including the cover pages and Appendices hereto, is to provide information in connection with the offering, sale and delivery of \$43,255,000 2017A Certificates described herein. Each of the 2017A Certificates represent the undivided ownership interest of the Owner thereof in and to the Lease (as defined hereinafter) and the right to receive certain revenue thereunder, including, without limitation, the Lease Payments due under the Lease, at the times, in the manner and from the sources specified therein.

The Trustee has issued the 2017A Certificates pursuant to the Trust Agreement. The Trustee's interest in the Lease and in the Facilities which are subject to the Lease, including the right to receive Lease Payments under the Lease, has been assigned to the Trustee for the benefit of the Owners of the 2017A Certificates pursuant to the terms of the Trust Agreement. Pursuant to the Lease, the County will remit such Lease Payments under the Lease directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENT – Lease Term and Payments."

Pursuant to the Lease, dated as of November 1, 1992, as amended and supplemented, the Trustee leased the Land from the County for a term ending on December 1, 2030, with an automatic renewal for an additional ten (10) years, if the Certificates have not been fully paid at the expiration of the initial term.

Pursuant to the Seventeenth Amendment to Lease-Purchase Agreement, dated as of December 1, 2017 (the "Seventeenth Amendment to Lease"), by and between the Trustee as lessor and the County as lessee, the Trustee will (i) issue Certificates of Participation, Series 2017A (the "2017A Certificates") in the lease payments to be made by the County under the Lease and (ii) receive, hold and invest the proceeds of the sale of the 2017A Certificates and deposit in the Construction Account such proceeds to construct and equip the 2017A Project. Pursuant to the Lease-Purchase Agreement, dated as of September 1, 1992 (the "Original Lease"), the Trustee issued the 1992 Certificates to finance the acquisition, remodeling, expansion, construction and equipping of facilities, which included some or all of the following: (i) a work release facility, (ii) a law enforcement facility, (iii) the juvenile corrections facility and (iv) the County courthouse (the "1992 Facilities"). Pursuant to the First Amendment to Lease-Purchase Agreement, dated as of November 1, 1994 (the "First Amendment to Lease"), the Trustee issued the 1994A Certificates to complete the 1992 Facilities. Pursuant to the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997 (the "Second Amendment to Lease"), a portion of the Series 1994A Certificates were refunded. Pursuant to the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999 (the "Third Amendment to Lease") the Trustee refunded the 1992



Certificates. Pursuant to the Fourth Amendment to Lease-Purchase Agreement, dated as of December 1, 2000 (the "Fourth Amendment to Lease"), the Trustee issued the 2000 Certificates and the 2001 Certificates to finance the costs of acquisition, construction, furnishing and equipping of a jail on the Land. Pursuant to the Fifth Amendment to Lease-Purchase Agreement, dated as of September 1, 2004 (the "Fifth Amendment to Lease"), the Trustee issued the 2004 Certificates to refund a portion of the Series 2000 Certificates and the 2001 Certificates. Pursuant to the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Sixth Amendment to Lease"), the Trustee issued the 2005A Certificates to refund a portion of the 1997A Certificates, the 1999 Certificates and the 2000 Certificates. Pursuant to the Seventh Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Seventh Amendment to Lease"), the Trustee issued the 2005C Certificates to finance the costs of acquisition, construction, furnishing and equipping of the Facilities. Pursuant to the Eighth Amendment to Lease-Purchase Agreement, dated as of October 1, 2006 (the "Eighth Amendment to Lease"), the Trustee issued the 2006 Certificates to refund a portion of the 1997A Certificates, 1999 Certificates and the 2000 Certificates which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of a work release facility, law enforcement facility, juvenile corrections facility, jail and courthouse. Pursuant to the Ninth Amendment to Lease-Purchase Agreement, dated as of August 1, 2007 (the "Ninth Amendment to Lease"), the Trustee issued the 2007 Certificates to finance the costs of acquisition, renovation, construction and equipping of an addition to the courthouse and the renovation of the parking lot adjacent to the county administration building. Pursuant to the Tenth Amendment to Lease-Purchase Agreement, dated as of October 1, 2007 (the "Tenth Amendment to Lease"), the Trustee issued the 2007B Certificates to refund a portion of the 1994A Certificates. Pursuant to the Eleventh Amendment to the Lease-Purchase Agreement, dated as of September 1, 2008 (the "Eleventh Amendment to Lease"), the Trustee issued the 2008 Certificates to refund a portion of the Certificates of Participation (Limited Tax Obligation) Series 1999 which were issued to refund a portion of the Series 1992 Certificates. Pursuant to the Twelfth Amendment to the Lease-Purchase Agreement, dated November 1, 2010 (the "Twelfth Amendment to Lease"), the Trustee issued the 2010 Certificates to pay the costs of acquisition, renovation, construction and equipping of an addition to the jail. Pursuant to the Thirteenth Amendment to the Lease-Purchase Agreement, dated as of September 1, 2011 (the "Thirteenth Amendment to Lease") the Trustee issued 2011 Certificates to refund all or a portion the Certificates of Participation (Limited Tax Obligation) Series 2004 (the "2004 Certificates"), the Certificates of Participation (Limited Tax Obligation) Series 2007B (the "2007B Certificates") and the Certificates of Participation (Limited Tax Obligations) Series 2008 (the "2008 Certificates") due on December 1, 2011. Pursuant to the Fourteenth Amendment to the Lease-Purchase Agreement, dated as of November 1, 2013 (the "Fourteenth Amendment to Lease") the Trustee issued the 2013A Certificates to refund all or a portion of the Series 2004 Certificates. Pursuant to the Fifteenth Amendment to Lease-Purchase Agreement, dated as of November 1, 2014 (the "Fifteenth Amendment to Lease") the Trustee issued the 2014A Certificates to refund a portion of the Series 2007 Certificates. Pursuant to the Sixteenth Amendment to Lease-Purchase Agreement, dated as of October 1, 2016 (the "Sixteenth Amendment to Lease"), by and between the Trustee as lessor and the County as lessee, the Trustee issued Series 2016A Certificates and the Series 2016B Certificates to refund all or a portion the Certificates of Participation (Limited Tax Obligation) Series 2004 (the "Series 2004 Certificates") that mature on or after December 1, 2013 which were issued to finance the acquisition, remodeling, expansion, construction and equipping of facilities, which included some or all of the following: (i) a work release facility, (ii) a law enforcement facility, (iii) the juvenile corrections facility and (iv) the County courthouse. The Original Lease, as amended and supplemented by the First Amendment to Lease, the Second Amendment to Lease, the Third Amendment to Lease, the Fourth Amendment to Lease, the Fifth Amendment to Lease, the Sixth Amendment to Lease, the Seventh Amendment to Lease, the Eighth Amendment to Lease, the Ninth Amendment to Lease, the Tenth Amendment to Lease, the Eleventh Amendment to Lease, the Twelfth Amendment to Lease, the Thirteenth Amendment to Lease, the Fourteenth Amendment to Lease, the Fifteenth Amendment to Lease, the Sixteenth Amendment to Lease and the Seventeenth Amendment to Lease is collectively referred to herein as the "Lease".



## **THE CERTIFICATES OF PARTICIPATION**

### **General Provisions**

The 2017A Certificates will be authenticated and issued by the Trustee pursuant to the Trust Agreement. The 2017A Certificates will be initially dated date of issuance and will mature as shown on the inside cover page hereof. Interest on the 2017A Certificates is payable on each June 1 and December 1, commencing June 1, 2018. The 2017A Certificates are issuable in denominations of \$5,000. Each Certificate evidences the Owner's right to receive distributions of a portion of the Lease Payments payable by the County pursuant to the Lease. Principal with respect to the 2017A Certificates shall be payable at the corporate trust office of the Operations Agent, acting as registrar and paying agent, in St. Paul, Minnesota. Interest with respect to the 2017A Certificates shall be payable by check or draft of the Operations Agent, acting as registrar and paying agent, mailed on the Interest Payment Date to the owner of record as of the fifteenth (15<sup>th</sup>) day (whether or not a business day) of the month preceding the Interest Payment Date, at the address shown on the Certificate Register required to be maintained by the Operations Agent, acting as registrar and paying agent. The 2017A Certificates delivered prior to June 1, 2018 will be dated date of issuance, and the 2017A Certificates delivered on or after June 1, 2018, will be dated the preceding Interest Payment Date, or, if delivered on an Interest Payment Date, the date of delivery. The 2017A Certificates may be transferred, and principal with respect to the 2017A Certificates will be payable upon surrender at the principal corporate trust office of the Operations Agent, acting as registrar and paying agent, in the manner provided in the Trust Agreement.

Ownership of the 2017A Certificates will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as securities depository for the 2017A Certificates. Unless and until the book-entry system with respect to the 2017A Certificates is terminated by DTC or the County, beneficial ownership interests in the 2017A Certificates may be acquired in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof of a single maturity, and will not be evidenced by individual certificates.

### **Book-Entry Only System**

Information concerning The Depository Trust Company, New York, New York ("DTC") and the Book-Entry System (APPENDIX E – BOOK ENTRY ONLY SYSTEM) has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Underwriter or the Trustee.

### **Certificates in Book-Entry Form**

Beneficial ownership in the 2017A Certificates will be available to Beneficial Owners (as described in APPENDIX E – BOOK ENTRY ONLY SYSTEM) only by or through DTC Participants via a book-entry system (the "Book-Entry System") maintained by DTC.

### **Discontinuance of DTC Services**

DTC may discontinue providing its services as securities depository with respect to 2017A Certificates at any time by giving notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be authenticated and delivered.

The County may, as provided in the Lease, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be authenticated and delivered for the 2017A Certificates.

## Redemption

*Extraordinary Redemption.* The 2017A Certificates are subject to redemption, in whole, but not in part, on any date for which notice of redemption can be given, at a redemption price equal to their principal amount plus accrued interest, if the County elects, or is required to prepay the Lease Payments relating to the 2017A Certificates upon the occurrence of certain events of damage to, or destruction or condemnation of the Facilities covered by the Lease..

*Optional Redemption.* The 2017A Certificates maturing on and after December 1, 2026, are subject to redemption on and after December 1, 2025, in whole on any date or in part on any date, at a price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption.

*Selection of Certificates for Redemption.* The 2017A Certificates shall be called for redemption in inverse order of maturity dates; if less than all the 2017A Certificates maturing on the same date are to be redeemed, the 2017A Certificates shall be selected by lot in such manner as the Trustee shall determine; provided that the portion of any 2017A Certificates to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof.

*Notice of Redemption.* When redemption is authorized or required, the Trustee shall give the Owners of the 2017A Certificates to be redeemed notice of the redemption of their 2017A Certificates. Such notice shall specify: (a) the 2017A Certificates (or portion thereof) to be redeemed; (b) the date of redemption; and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date interest on the 2017A Certificates to be redeemed shall cease to accrue and be payable.

Notice of such redemption shall be given not less than thirty (30) days prior to the redemption date by mailing first class, postage prepaid, copies thereof to the Owners whose 2017A Certificates are to be redeemed. Failure to mail such notice shall not affect the validity of the proceedings for the redemption of the 2017A Certificates.

## Additional Certificates

(a) Additional Certificates may be issued under and be equally and ratably secured by the Trust Agreement on a parity with the Certificates issued under the Trust Agreement and any other Additional Certificates Outstanding, at any time and from time to time, for any of the following purposes.

(1) To provide funds to pay all or any part of the costs of completing the Project, the total of such costs to be evidenced by a certificate signed by an Authorized Officer of the County.

(2) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.

(3) To provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of additions to the Facilities.

(4) To provide funds for refunding all or any portion of the Certificates of any series issued under the Trust Agreement then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

(b) Before any Additional Certificates shall be issued under the Trust Agreement, the County shall adopt a resolution (i) authorizing or approving the issuance of such Additional Certificates; (ii) authorizing or approving the execution of a Supplemental Trust Agreement for the purpose of issuing



such Additional Certificates and fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Certificates are being issued or describing the Certificates to be refunded; and, if required, (iii) authorizing the execution of an amendment to the Lease to provide for Lease Payments at least sufficient to pay amounts representing principal, premium, if any, and interest with respect to the Certificates then to be Outstanding (including the Additional Certificates to be issued) as the same become due.

(c) Except as to any difference in date, maturity, interest rate or redemption provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Certificates and any other Additional Certificates Outstanding after the issuance of such Additional Certificates.

(d) Such Additional Certificates shall be executed substantially in the form and manner set forth in the Trust Agreement, upon filing with the Trustee of the following:

(1) An original or certified copy of the resolution adopted by the County Board authorizing or approving the issuance of such Additional Certificates and the execution of such Supplemental Trust Agreement.

(2) An original executed counterpart of the Supplemental Trust Agreement providing for the issuance of such Additional Certificates.

(3) An original executed counterpart of the amendment to the Lease, if required, which amendment shall clearly establish that the County has agreed that the Additional Certificates shall constitute Certificates for the purpose of computing the required Lease Payments.

(4) A request and authorization to the Trustee, on behalf of the County, executed by an Authorized Officer of the County, to execute the Additional Certificates and to deliver them to the Original Purchaser therein identified upon payment of the purchase price thereof to the Trustee.

(5) An opinion of counsel nationally recognized in the area of municipal finance to the effect that the issuance of such Additional Certificates will not result in amounts representing interest payable with respect to any Certificates then Outstanding (including such Additional Certificates) becoming includable in gross income for federal income tax purposes.

(6) In the case of Additional Certificates being issued to refund Outstanding Certificates, such additional documents as shall be reasonably required by the Trustee to evidence that provision has been duly made in accordance with the provisions of the Trust Agreement for the payment of all of the Certificates to be refunded.

(7) Such other Certificates, statements, receipts and documents as the Trustee shall reasonably require for the delivery of such Additional Certificates.

(e) Except as described above, no obligations payable from the sources pledged for payment or security of the Certificates relating to the Trust Agreement, shall be issued on a parity with the Certificates relating to the Trust Agreement, but obligations subordinate to the Certificates relating to the Trust Agreement, may be issued upon the express written direction and consent of the County.

## **SOURCE AND SECURITY FOR PAYMENTS**

### **Lease Payments**

The Lease requires payment of semi-annual Lease Payments by the County, which payments are to be paid directly to the Trustee. The Lease Payments under the Seventeenth Amendment to Lease are due from the County on the last Business Day of each May and November, commencing on the last Business Day of May 2018.

The Lease is not subject to termination by the County except upon payment or prepayment of the Lease Payments, and the County's obligation to make Lease Payments is absolute and unconditional. The County has covenanted in the Resolution that it will budget and appropriate sufficient moneys in each year of the Lease Term to pay the Lease Payments when due and to pay any other amounts payable by the County under the Lease. The County further covenants in the Resolution that it will take all actions necessary to provide moneys to make such payments under the Lease, including the levy of such taxes as may be necessary, subject only to the limitations on such levies imposed by State law. The current limitations on the County's ability to levy taxes to pay the Lease Payments and other amounts payable under the Lease are discussed below.

### **Levy Limitations**

The tax levy for general purposes by a county in the State cannot exceed twelve dollars (\$12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to \$0.90 per thousand dollars of taxable valuation for county buildings. South Dakota Codified Laws, Section 10-13-35 provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent (3%) or the CPI inflation index and increases in revenues from additions, improvements or changes in the use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. Section 10-13-35 also provides that a county may increase its revenues above the revenue limitation to pay principal, interest, and redemption charges on any bonds, which were subject to a referendum.

Under South Dakota Codified Laws, Section 10-13-36, the revenue limitations under South Dakota Codified Laws, Section 10-13-35 may be exceeded by an excess tax levy imposed by a two-thirds vote of the County Commission, subject to a referendum by petition by 5% of the registered voters of the County. The County in July 2000 authorized an additional permanent tax levy under South Dakota Codified Laws, Section 10-13-36 (the "Opt Out Levy") not to exceed \$1,150,000 for the calendar year 2000 taxes payable in calendar year 2001 and any subsequent calendar years. The County in July 2001 authorized an additional permanent tax levy under the Opt Out Levy not to exceed \$500,000 for the calendar year 2001 taxes payable in calendar year 2002 and any subsequent years. The County in July 2005 authorized a tax levy under the Opt Out Levy not to exceed \$260,000 beginning with the calendar year 2005 taxes payable in calendar year 2006 through calendar year 2024 taxes payable in calendar year 2025. The County in July 2006 authorized a tax levy under the Opt Out Levy not to exceed \$1,625,000 beginning with the calendar year 2006 taxes payable in the calendar year 2007 through calendar year 2025 taxes payable in calendar year 2026. The County in July 2012 authorized a tax levy under the Opt Out Levy not to exceed \$4,000,000 beginning with the calendar year 2012 taxes payable in the calendar year 2013 through calendar year 2031 taxes payable in calendar year 2032. The County in July 2015 authorized a tax levy under the Opt Out Levy not to exceed \$3,500,000 beginning with the calendar year 2015 taxes payable in the calendar year 2016 through calendar year 2039 taxes payable in calendar year 2040. These additional tax levies were approved by at least two-thirds of the County Commissioners and no petition seeking a referendum was filed by the registered voters of the County. For 2016 taxes payable in 2017 the County's General Fund levy is \$2.945, its Building Fund Levy is \$0.307, and its Bond Redemption Levy is \$0.089. Section 10-13-35 also provides that a county may increase its revenues



above the revenue limitation to pay principal, interest, and redemption charges on any bonds, which were subject to a referendum and the 2017A Certificates qualify for this increase of revenues by the County.

### **SOURCES AND USES OF FUNDS**

The proceeds of the 2017A Certificates will be used to finance the construction and equipping of an expanded jail including replacement of the existing community corrections center, jail intake area and related parking.

#### **2017A Certificates**

##### **Sources**

Par Amount of the 2017A Certificates	\$ 43,255,000.00
Reoffering Premium	<u>2,755,330.90</u>
Total Sources	\$ 46,010,330.90

##### **Uses**

Deposit to Construction Account	\$ 45,604,652.95
Costs of Issuance and Underwriter's Discount	<u>405,677.95</u>
Total Uses	\$ 46,010,330.90

### **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

**A PROSPECTIVE PURCHASER OF THE 2017A CERTIFICATES DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE 2017A CERTIFICATES WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE 2017A CERTIFICATES. PROSPECTIVE PURCHASERS OF THE 2017A CERTIFICATES SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE COUNTY OR THE UNDERWRITER. PROSPECTIVE INVESTORS ARE ENCOURAGED TO REVIEW CURRENT EMMA FILINGS FOR THE COUNTY AT [HTTP://WWW.EMMA.MSRB.ORG/](http://www.emma.msrb.org/).**

#### **Debt Service Source**

The 2017A Certificates shall be limited general obligations of the County payable as to both principal and interest from a pledge of ad valorem taxes received by the County within the existing levies. While the future ability of the County to meet its obligations under the Bond Resolution is based upon assumptions and business judgments which the County believes are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that presently cannot be determined. Thus, no assurance can be given that tax payers will pay their taxes when due, nor that the taxable value of real property will be sufficient to produce tax revenues in amounts sufficient to pay the principal of and interest on the 2017A Certificates as they become due.

#### **Legal Matters**

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the 2017A Certificates. There is no assurance that there will not be any change in.



interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the County or the taxing authority of the County.

#### **Limitations on Remedies Available to Owners of 2017A Certificates**

The enforceability of the rights and remedies of the owners of 2017A Certificates, and the obligations incurred by the County in issuing the 2017A Certificates, could be subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of South Dakota and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2017A Certificates to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

#### **Taxation of Interest on the 2017A Certificates**

An opinion of Bond Counsel will be obtained to the effect that interest earned on the 2017A Certificates is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the 2017A Certificates includable in gross income for federal income tax purposes.

The County has covenanted in the authorizing Resolution and in other documents and certificates to be delivered in connection with the issuance of the 2017A Certificates to comply with the provisions of the Code, including those which require the County to take or omit to take certain actions after the issuance of the 2017A Certificates. Because the existence and continuation of the excludability of the interest on the 2017A Certificates depends upon events occurring after the date of issuance of the 2017A Certificates, the opinion of Bond Counsel described under "TAX EXEMPTION" assumes the compliance by the County with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the 2017A Certificates in the event of noncompliance with such provisions. The failure of the County to comply with the provisions described above may cause the interest on the 2017A Certificates to become includable in gross income as of the date of issuance.

#### **Proposed Legislation**

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status of municipal certificates. The likelihood of adoption of such legislative proposal relating to tax-exempt certificates cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt certificates (including the 2017A Certificates). Prospective purchasers of the 2017A Certificates should consult their own tax advisors regarding the impact of any such change in law.

### **Premium on 2017A Certificates**

The initial offering prices of certain maturities of the 2017A Certificates that are subject to optional redemption are in excess of the respective principal amounts thereof. Any person who purchases a 2017A Certificate in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the 2017A Certificates are subject to redemption at par under the various circumstances described under "REDEMPTION – Optional Redemption." Also see, "ORIGINAL ISSUE PREMIUM" herein.

### **No Additional Interest or Mandatory Redemption upon Event of Taxability**

The Resolution does not provide for the payment of additional interest or penalty on the 2017A Certificates or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Resolution does not provide for the payment of any additional interest or penalty on the 2017A Certificates if the interest thereon becomes subject to income taxation by the State.

### **Suitability of Investment**

The tax exempt feature of the 2017A Certificates is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the 2017A Certificates are an appropriate investment.

### **Market for the 2017A Certificates**

**Bond Rating.** The 2017A Certificates have been assigned the financial rating set forth in the section hereof entitled "RATING." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2017A Certificates.

**Secondary Market.** There is no assurance that a secondary market will develop for the purchase and sale of the 2017A Certificates. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the 2017A Certificates as a result of financial condition or market position of broker dealers, prevailing market conditions, lack of adequate current financial information about the County, or a material adverse change in the financial condition of the County, whether or not the 2017A Certificates are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

## **THE COUNTY**

The County is a body politic and corporate, organized under and pursuant to the constitution and laws of the State of South Dakota. The County has the authority to enter into a lease for the purpose of acquiring real and personal property for its governmental functions. General information regarding the County's location, organization, administration, economy, tax base, tax collections and financial conditions is included in Appendix B to this Official Statement.



## LEASE-PURCHASE AGREEMENT

The following is a summary of certain provisions of the Lease. This summary does not purport to be complete, and reference is made to the full text of the Lease for a complete recital of its terms.

### Lease Term and Payments

The Lease-Purchase Agreement, dated as of September 1, 1992 (the "Original Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of November 1, 1994 (the "First Amendment to Lease"), the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997 (the "Second Amendment to Lease"), the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999 (the "Third Amendment to Lease"), the Fourth Amendment to Lease-Purchase Agreement, dated as of December 1, 2000 (the "Fourth Amendment to Lease"), the Fifth Amendment to Lease Purchase Agreement, dated as of September 1, 2004 (the "Fifth Amendment to Lease"), the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Sixth Amendment to Lease"), the Seventh Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Seventh Amendment to Lease"), the Eighth Amendment to Lease-Purchase Agreement, dated as of October 1, 2006 (the "Eighth Amendment to Lease"), the Ninth Amendment to Lease-Purchase Agreement, dated as of August 1, 2007 (the "Ninth Amendment to Lease"), the Tenth Amendment to Lease-Purchase Agreement, dated as of October 1, 2007 (the "Tenth Amendment to Lease"), the Eleventh Amendment to Lease-Purchase Agreement, dated as of September 1, 2008 (the "Eleventh Amendment to Lease"), the Twelfth Amendment to Lease-Purchase Agreement, dated as of November 1, 2010 (the "Twelfth Amendment to Lease"), the Thirteenth Amendment to Lease-Purchase Agreement, dated as of September 1, 2011 (the "Thirteenth Amendment to Lease"), the Fourteenth Amendment to the Lease-Purchase Agreement, dated as of November 1, 2013 (The Fourteenth Amendment to Lease, the Fifteenth Amendment to the Lease-Purchase Agreement, dated as of December 1, 2014 (the "Fifteenth Amendment to Lease"), the Sixteenth Amendment to the Lease-Purchase Agreement, dated as of October 1, 2016 (the "Sixteenth Amendment to Lease"), and the Seventeenth Amendment to the Lease-Purchase Agreement, dated as of December 1, 2017 (the "Seventeenth Amendment to Lease") (collectively, the Original Lease, as amended and supplemented by the First Amendment to Lease, the Second Amendment to Lease, the Third Amendment to Lease, the Fourth Amendment to Lease, the Fifth Amendment to Lease, the Sixth Amendment to Lease, the Seventh Amendment to Lease, the Eighth Amendment to Lease, the Ninth Amendment to Lease, the Tenth Amendment to Lease, the Eleventh Amendment to Lease, the Twelfth Amendment to Lease, the Thirteenth Amendment to Lease, Fourteenth Amendment to the Lease-Purchase Agreement, dated as of November 1, 2013 (the "Fourteenth Amendment to Lease"), Fifteenth Amendment to the Lease-Purchase Agreement, dated as of December 1, 2014 (the "Fifteenth Amendment to Lease"), the Sixteenth Amendment to the Lease-Purchase Agreement, dated as of October 1, 2016 (the "Sixteenth Amendment to Lease"), and the Seventeenth Amendment to the Lease-Purchase Agreement, dated as of December 1, 2017 (the "Seventeenth Amendment to Lease") extends until December 1, 2030. The first Lease Payments due under the Original Lease were due on the last Business Day of November, 1992. The Lease Payments due under the Seventeenth Amendment to Lease commence on June 1, 2018 will continue semiannually with the last Lease Payment payable under the Seventeenth Amendment to Lease due on December 1, 2037.

The Lease shall terminate prior to December 1, 2037, upon the earliest of the following events:

- (a) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to discharge the County's obligation to pay or prepay all unpaid Lease Payments under the Lease when they are due; or
- (b) the County elects to exercise its option to prepay all of the Lease Payments under the Lease.

The Lease is not otherwise terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Lease.

### **Consummation of Purchase**

The Trustee's interest in the Land and Facilities will be transferred, conveyed and assigned to the County and the Lease will terminate: (a) at the end of the Term of the Lease, upon payment in full of all Lease Payments due thereunder and all other sums required to be paid thereunder; (b) prior to the end of the Term, on any date for the payment of a Lease Payment on or after the last Business Day of November, 2030, upon payment by the County of the then current Principal Balance, in conjunction with the Lease Payment under the Lease then due and owing; (c) prior to the end of the Term, if the County is not in default under the Lease, upon payment of the then current Principal Balance in the event of damage, destruction and/or condemnation to the applicable Land and Facilities, and the County elects not to complete the repair, restoration, modification or improvement of the Land and Facilities; or (d) if the County discharges all Lease Payments by depositing cash or securities with the Trustee.

### **Covenants of the County**

The County represents, covenants and warrants, among other things, that: (a) the County is authorized under the Constitution and laws of the State to enter into the Lease and the transactions contemplated therein, and to perform all of its obligations thereunder; (b) the officers of the County executing the Lease have been duly authorized to execute and deliver the Lease; (c) the Facilities which are the subject of the Lease will be used during the Term of the Lease primarily to carry out the governmental or proprietary purposes of the County and its departments, agencies, institutions, instrumentalities and political subdivisions; and (d) it will not take any action which would have the effect of subjecting the interest to be paid under the Lease to federal income taxes nor will it fail to take any action which failure could result in subjecting the interest to be paid under the Lease to federal income taxes.

### **Security in the Land and Facilities and Release of Land and Facilities**

The Land and Facilities subject to the Ground Lease and the Lease are held by the Trustee during the term of the Ground Lease and the Lease, unless (i) the County discharges its obligation to make the Lease Payments pursuant to the Lease or (ii) a portion of the Land and Facilities are released pursuant to provisions of the Ground Lease and Lease, see "THE GROUND LEASE."

Title to the Facilities subject to the Lease will pass to the County upon payment of an amount of cash or securities which are general obligations of the United States sufficient to pay all Lease Payments when due or subject to prepayment.

The Facilities on the Land may also be released when the Land is released pursuant to the Ground Lease, see ("THE GROUND LEASE") herein.

### **Maintenance and Repair**

The County agrees that at all times during the Term of the Lease, the County will, at the County's sole cost and expense, maintain, preserve and keep the Land and Facilities subject to the Lease, or part and parcel thereof, in good repair, working order and condition and that the County will from time to time make or cause to be made all necessary and proper repairs, replacements and improvements.



### **Restrictions on Assignment and Conveyance**

Neither the Lease nor the Land and Facilities subject to the Lease may be mortgaged, sold, leased, pledged, assigned, transferred, conveyed or otherwise encumbered by the County for any reason. Such restrictions shall not, however, preclude the County from assigning its obligations under the Lease, with the consent of the Trustee, or subleasing the Land and Facilities subject to the Lease to others for public purposes or in furtherance of any governmental or proprietary functions of the County. No such permitted use or lease shall relieve the County of its obligations under the Lease or cause the interest on the Lease and Certificates to become subject to federal income taxation.

### **Taxes**

The County shall pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof subject to the Lease or the Lease Payments, and which become due during the term of the Lease; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities subject to the Lease; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease as and when the same become due. The County shall not be required to pay any federal, state, or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate or other similar tax payable by the Trustee, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

### **Insurance**

The County shall cause adequate governmental liability coverage and property damage insurance in specified amounts (with respect to the property damage insurance, in an amount not less than the full insurable value of the Facilities subject to the Lease) to be carried and maintained with respect to the Land and Facilities and to protect the Trustee from liability in all events. The County may self-insure, subject to the conditions set forth in the Lease.

### **Indemnification Covenants**

As between the Trustee and the County, the County assumes all risks and liabilities, to the extent liability coverage applies, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the County, the Trustee or of third parties, and whether such property damage be to the County or the Trustee's property or the property of others, when such loss, damage or injury is proximately caused by the negligent conduct of the County, its officers, employees, agents and lessees, or arising out of the negligent operation, maintenance or use of the Land and Facilities by the County, its officers, employees, agents and lessees. County agrees to indemnify and hold Trustee and its respective officers, agents and employees harmless, only to the extent liability coverage applies, from those claims, demands, or liability arising from the acts or omissions of the County, and its officers, agents and employees as provided within and limited to those circumstances set forth in this paragraph only, such paragraph and language therein entitled "Indemnification Covenants," provided that nothing herein shall require the County to indemnify the Trustee or its respective officers, agents or employees for claims or damages arising from the acts or omissions of the Trustee, or its respective officers, agents or employees.

### **Events of Default and Remedies**

The occurrence of one or more of the following events shall constitute an Event of Default under the Lease: (a) failure by the County to pay any Lease Payment or other payment required to be paid

under the Lease at the time specified therein; (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease Payment or other required payment, for a period of forty-five (45) days after written notice to the County by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the County within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the Lease, any or all of the following remedies are provided: (a) without terminating such Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and the Facilities and exclude the County and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to (i) collect the Lease Payments then due or as they become due, or (ii) enforce performance and observance of any obligation, agreement or covenant of the County under the Lease or the Resolution, including without limitation enforcing the obligations of the County to budget and levy taxes for the payment of the Lease Payments.

#### **Damage, Destruction and Condemnation: Use of Insurance Proceeds**

If, while the Lease is in effect, (a) the Facilities, or any portion thereof, are destroyed (in whole or in part) or damaged by fire or other casualty or, (b) title to, or the temporary use of, the Land and Facilities (or any part thereof) or the estate of the County or the Trustee in the Land and the Facilities, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body, or any person, firm or corporation acting under governmental authority, the County will cause the Net Proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification or improvement of such Land and Facilities.

If the Net Proceeds of insurance or a condemnation award are insufficient to pay in full the cost of any repair, restoration, modification or improvement to the Land and Facilities subject to the Lease, the County either (a) shall complete the work and pay any costs in excess of the amount of the Net Proceeds of insurance or a condemnation award, or (b) may apply the Net Proceeds to prepayment of the Lease Payments.

### **TRUST AGREEMENT**

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete, and reference is made to the full text of the Trust Agreement for a complete recital of its terms.

#### **General**

The Trust Agreement is executed by the Trustee and joined in by the County. The purpose of the Trust Agreement is to provide for the authentication, issuance, payment and redemption of the Certificates issued thereunder and to provide for the creation thereunder of a Trust Fund for Certificates for the purposes hereinafter described.

#### **The Certificates of Participation**

The Trustee is authorized upon receipt of a request from the County to issue, authenticate and deliver the 2017A Certificates. The 2017A Certificates will be issued in the form provided in the Trust Agreement and shall evidence the ownership interest of the Owners of the 2017A Certificates in and to



the Lease and the Lease Payments to be paid by the County to the Trustee pursuant to the Lease and the Trust Agreement, and all revenues derived from the Lease, any money made available for distribution to the Owners of the Certificates from the subsequent sale, leasing or other disposition of the Land and the Facilities subject to the Lease as a result of an event of default, and any other moneys required to be paid to the Trustee for the Owners of Certificates.

## **Funds**

The Trust Agreement creates a fund known as the "Minnehaha County Lease-Purchase Trust Fund" (the "Trust Fund"). All moneys and investments held by the Trustee under the Trust Agreement are held for the benefit of the present and future Owners of the Certificates issued under the Trust Agreement and shall be expended only as provided in the Trust Agreement. Within the Trust Fund, there are created a Lease Payment Account, a Redemption Account, an Escrow Fund and a Construction Account.

### **Construction Account**

All of the proceeds of the 2017A Certificates shall be deposited by the Trustee in the Construction Account. The Trustee shall make disbursements from the Construction Account from time to time, upon County certification, in payment or reimbursement of construction and equipment costs and of the costs of issuance of the 2017A Certificates.

After completion of the 2017A Project, any balance in the Construction Account shall be transferred to the Lease Payment Account.

### **Lease Payment Account**

The Trust Agreement establishes a Lease Payment Account into which shall be deposited the amount of accrued interest, if any, received by the Trustee from the initial proceeds, any transfer from the Construction Account, all interest or income received by the Trustee with respect to the Lease or the Land and the Facilities.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account an amount equal to the principal and interest payments due with respect to the Certificates issued under the Trust Agreement on such Payment Date. Such amount shall be applied to the payment of principal and interest payments due with respect to the Certificates on such Payment Date.

### **Redemption Account**

The Trustee shall deposit into the Redemption Account under the Trust Agreement all moneys paid to it by the County pursuant to any of the County's prepayment options under the Lease and, in the event of termination of the Lease as a result of an event of default under the Lease, all net proceeds received from the sale or other disposition of the Land and Facilities subject to the Lease. Also, in the event of termination of a Lease as a result of an event of default or the exercise by the County of its option to prepay Lease Payments, the Trustee shall transfer to the Redemption Account all moneys on hand in the Lease Payment Account not required to pay principal and interest due or past due on the Certificates.

All moneys on hand in the Redemption Account which will not be used for the redemption of Certificates within thirty (30) days after the date of deposit of such funds, shall be invested at a yield not exceeding the yield on the Lease, computed in accordance with Section 148 of the Code and regulations promulgated thereunder. However, such funds may be invested at a higher yield if the County obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or subject

to another yield limitation. Any moneys remaining in the Redemption Account after redemption of all outstanding Certificates issued under the Trust Agreement shall be paid to the County.

### **Rights of Trustee**

In carrying out its duties and exercising its powers under the Lease, the Trustee shall exercise that degree of care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own business affairs.

The Trustee shall be protected and shall incur no obligation or liability with respect to the payment of Lease Payments by the County or the performance by the County of any of its obligations under the Lease. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

The Trust Agreement does not require that the Trustee expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its right or powers thereunder. The Trustee shall not be individually liable for any payments to be made under any Certificates, the Trust Agreement or the Lease. The Trustee shall be under no obligation to institute or to take any immediate action, or to enter any appearance or in any way defend any suit in which it may be made defendant, take any steps in the enforcement of any rights and powers under the Trust Agreement until it shall be indemnified to its satisfaction for any and all costs, expenses, outlays and counsel fees and any other reasonable disbursements and against all liabilities. The Trustee shall be compensated by the County and such compensation shall not be paid from the Lease Payments or any other revenues received pursuant to the Lease or funds held by the Trustee except with respect to amounts expended in connection with the exercise of remedies upon the occurrence of any event of default.

The Trustee may resign, and thereby become discharged from its obligations under the Trust Agreement, by notice in writing given to the Owners of the Certificates. The Trustee may be removed at any time by instrument in writing executed by the Owners of not less than a majority of the aggregate principal amount of the Certificates or by agreement between the County and the Trustee. If at any time the position of Trustee shall become vacant, a majority of the Registered Owners shall appoint a Trustee to fill such vacancy.

### **Events of Default**

Upon the occurrence of any Event of Default under the Lease, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the Lease, as appropriate.

### **Amendments to Trust Agreement and Lease**

The Trust Agreement and the Lease may be amended in writing by agreement among all of the parties thereto, but, except as provided below no such amendment shall become effective without the prior written consent of two-thirds in aggregate principal amount of the Certificates then Outstanding; provided that no such amendment shall impair the right of any Owner to receive his or her proportionate share of any Lease Payment in accordance with his or her Certificate; provided that amendments required by a Rating Agency as a condition to maintaining the initial rating on the Certificates shall not require consent of Certificate Owners.



The County and the Trustee may, without the consent of or notice to any of the Owners of the Certificates, enter into one or more amendments to the Trust Agreement or the Lease for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make provisions with respect to matters or questions arising thereunder provided such action shall not, in the judgment of the Trustee (with respect to which the Trustee may rely on an opinion of counsel), materially adversely affect the interests of the Owners of the Certificates;

(b) To grant or confer upon the Owners of the Certificates any additional rights, remedies, power or authority that may lawfully be granted or conferred upon them;

(c) To comply with the requirements of any State or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(d) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms hereof;

(e) To permit: (i) if lawful, the issuance of Certificates in book entry form not evidenced by physical Certificates, or (ii) Certificates in bearer form if, in the opinion of Bond Counsel, such action will not cause the interest component of any Lease Payment to become includable in the gross income of the Owners of the Certificates thereof for federal income tax purposes;

(f) To subject to the Trust Agreement additional revenues, properties or collateral; or

(g) To issue Additional Certificates as provided in the Trust Agreement.

#### **THE GROUND LEASE**

The following is a summary of certain provisions of the Ground Lease. This summary does not purport to be complete, and reference is made to the full text of the Ground Lease for a complete recital of its terms.

The County, pursuant to the Ground Lease, as amended, leased the Land to the Trustee for a term commencing on September 1, 1992 and ending on December 1, 2030, for the purpose of (i) acquiring and constructing the Facilities on the Land, (ii) maintaining the Facilities, (iii) access, ingress and egress to the Facilities, and (iv) other purposes as set forth therein. The term of the Ground Lease is automatically extended to December 1, 2040 if all Lease Payments under the Lease have not been fully paid or provided for by the County. Under certain conditions the Land may be released from the Ground Lease.

Pursuant to the Ground Lease, if no default exists, the County shall have the right, at any time and from time to time, to a release of Land from the Ground Lease, if such Land does not contain any permanent structure necessary for the total operating unity and efficiency of the existing structures on the Land which are subject to the Lease (the "Existing Structures") for the purpose of selling the same to a third person or to facilitate the construction or additional structures not related to the Existing Structures on the Land, and the Trustee shall, from time to time, release from the Ground Lease such real property so sold, pledged or disposed of, but only upon receipt by the Trustee of (1) a certificate of a County representative setting forth in substance as follows: (A) the number of acres or square feet of the property to be released. (B) the property to be released is not needed for the operation of the Existing Structures and is not necessary for the total operating unity and efficiency of the Existing Structures. (C) the release will not impair the structural integrity of the Existing Structures or the usefulness of the Existing Structures for their existing purposes and will not inhibit adequate means of ingress to or egress from the

Existing Structures, and (D) all conditions precedent herein provided for relating to such release have been complied with, and (2) a survey prepared by a registered land surveyor describing and showing the Land, after giving effect to such release; (3) A certificate of an independent engineer that the Land to be released is not necessary for the total operating unity and efficiency of the Existing Structures; and (4) An opinion of counsel stating that the certificates, opinions and other instruments and cash which have been or are therewith delivered to and deposited with the Trustee conform to the requirements of the Ground Lease and that, upon the basis of such application, the property may be released from the lien of the Ground Lease, and that all conditions precedent herein provided for relating to such release have been complied with.

In addition, on or after December 1, 2020 (a) Block 58 of Airport Addition to the City of Sioux Falls, Minnehaha County, South Dakota, according to the recorded plat thereof and, (b) Tract No. 6 of Adjustment Training Center Tracts in Southwest Quarter Section 32, Township 101 North, Range 49 West of the 5th P.M., City of Sioux Falls, Minnehaha County, South Dakota, according to the recorded plat thereof shall be released from this Ground Lease if all Certificates issued prior to October 27, 2005 and any Certificates used to refund such Certificates under the Declaration of Trust, dated as of September 1, 1992, by the Trustee and joined in by the County, as amended, have been defeased or paid.

## **TAX MATTERS**

### **2017A Certificates**

In the opinion of Lindquist & Vennum LLP, as Bond Counsel, on the basis of laws in effect on the date of issuance of the 2017A Certificates, the interest component of the Lease Payments to be received by the Owners of the 2017A Certificates is not includible in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the 2017A Certificates is includible in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the County concerning the nature and cost of the facilities being financed from proceeds of the 2017A Certificates and the application and investment of proceeds of the 2017A Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the Code), impose continuing requirements that must be met after the issuance of the 2017A Certificates in order for interest thereon to be and remain not includible in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the 2017A Certificates to be includible in federal gross income, retroactive to the date of issuance of the 2017A Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the 2017A Certificates or for an increase in the interest rate on the 2017A Certificates in the event that interest on the 2017A Certificates becomes includible in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the 2017A Certificates is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers, but is includible in book income or in earnings and profits in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. The interest component of the Lease Payments to be received by the Owners of the 2017A Certificates may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent (15%) of the interest component of the Lease Payments to be received by the Owners of the 2017A Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to



take into account the interest component of the Lease Payments to be received by the Owners of the 2017A Certificates in determining the taxability of such benefits. Passive investment income, including the interest component of the Lease Payments to be received by the Owners of the 2017A Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of its gross receipts is passive investment income.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the 2017A Certificates. Prospective purchasers or owners of the 2017A Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

### **Original Issue Discount**

The initial public offering price of the 2017A Certificates maturing in the years 2031, 2032, 2033, 2034, 2035, 2036 and 2037 (the "Discounted Certificates") is less than the principal amount payable thereon at maturity. As a result, the Discounted Certificates will be considered to be issued with original issue discount. The difference between the initial public offering price of each maturity of the Discounted Certificates as set forth on the inside cover page of this Official Statement (assuming it is the first price during the initial offering (the "Issue Price") at which a substantial amount of such maturity is sold to the public), and the principal amount payable at maturity of the Discounted Certificates will be treated as "original issue discount." With respect to a taxpayer who purchases a Discounted Certificate in the initial public offering at the Issue Price and who holds such Discounted Certificate to maturity, the full amount of original issue discount will constitute interest which is not includable in the gross income of the owner of such Discounted Certificate for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Discounted Certificate upon maturity.

The original issue discount on each of the Discounted Certificates is treated as accruing daily over the term of such Discounted Certificate on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on June 1 and December 1 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discounted Certificates, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discounted Certificates. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discounted Certificates (including sale, redemption or payment at maturity). An owner of a Discounted Certificate who disposes of such Discounted Certificate prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discounted Certificate prior to maturity.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a Discounted Certificate may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability and the branch profits tax liability. Corporate owners of any Discounted Certificates should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or a branch profits tax liability although the owners of such Discounted Certificates will not receive a corresponding cash payment until a later year.

Owners who purchase Discounted Certificates in the initial public offering but at a price different than the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Certificates.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discounted Certificates. Owners who do not purchase Discounted Certificates in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Certificates.

Owners of Discounted Certificates should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Certificates. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued original issue discount on the Discounted Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

### **Bond Premium**

The 2017A Certificates maturing in the years 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and 2030 (the "Premium Certificates") are being sold at a price greater than the principal amounts payable on such 2017A Certificates at maturity. To the extent that a purchaser of a Premium Certificate acquires a Premium Certificate at a price greater than the principal amount payable at maturity, such excess may be considered "amortizable bond premium" under Section 171 of the Code. In general, any amortizable bond premium with respect to a Premium Certificate must be amortized under the Code. The amount of premium so amortized will reduce the owner's basis in such Premium Certificate for Federal income tax purposes, and such amortized premium is not deductible for Federal income tax purposes. Purchasers should consult their own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption, maturity, receipt or payment or other disposition of a Premium Certificate.

### **MUNICIPAL ADVISOR**

The County has retained Dougherty & Company LLC of Sioux Falls, South Dakota, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2017A Certificates. In assisting in the preparation of the Official Statement, the Municipal Advisor has relied upon County officials and other parties who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting or audit standards.

### **UNDERWRITER**

The 2017A Certificates are being sold at a competitive bond sale by the County to Piper Jaffray & Co. (the "Original Purchaser", who submitted a proposal to the County to purchase the 2017A Certificates at an aggregate purchase price of \$45,723,117.70 (representing the principal amount of \$43,255,000, less an underwriter's discount of \$287,213.20, plus a reoffering premium of \$2,755,330.90), plus accrued interest to the date of closing, subject to the terms of a Notice of Sale and Bid documents.

### **RATING**

Moody's Investors Service, Inc. has assigned the 2017A Certificates the rating of "Aa1". Such rating reflects only the view of Moody's Investors Service, Inc., and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, telephone (212) 553-0300. There is no assurance that this rating will continue for any given



period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Service, Inc. if in the judgment of Moody's Investors Service Inc., circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2017A Certificates.

### CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12, as amended ("Rule 15c2-12"), of the Securities and Exchange Commission (the "SEC"), the County will covenant and agree in a Continuing Disclosure Agreement for the benefit of the registered holders or beneficial owners from time to time of the 2017A Certificates to provide certain financial information and operating data relating to the County by no later than one year after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017 (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events, if material (the "Disclosure Covenants"). The Annual Financial Information will be filed by or on behalf of the County to the Municipal Securities Rulemaking Board at its Electronic Municipal Market Access System ("EMMA"). Notices of material events will be filed by or on behalf of the County with EMMA. The County's undertaking to provide ongoing disclosure will be substantially in the form set forth in Appendix F – "CONTINUING DISCLOSURE AGREEMENT."

During the previous five years (2012 – 2017), the County has complied in all material respects with its continuing disclosure obligations under Rule 15c2-12. The required audited financial statements of the County have all been filed within their most restrictive 9 month requirement, as stated in their previous continuing disclosure undertakings. The County has a dissemination agent to aide with their requirements.

In the past five years there have been numerous rating actions reported by Moody's Investors Service, Standard & Poor's Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the County. Due to widespread knowledge of these rating actions, material event notices were not filed by the County.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Continuing Disclosure Agreement. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the 2017A Certificates in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the 2017A Certificates and their market price.

All instances, if any, where the County has failed to comply with any previous written undertakings may be found on the Municipal Securities Rulemaking Board's internet web site <http://emma.msrb.org> and are included herein by specific reference as if stated in full. **All prospective purchasers should review <http://emma.msrb.org> for past County compliance.**

### CERTAIN LEGAL MATTERS

The validity of the Lease, the 2017A Certificates relating thereto, the tax-exempt status of the interest component of the Lease Payments and certain other matters will be passed upon by Lindquist & Vennum LLP, Minneapolis, Minnesota. Copies of such opinion will be available at the time of delivery of the 2017A Certificates. Certain legal matters will be passed upon for the County by Aaron F. McGowan, State's Attorney for Minnehaha County.

### LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the County, the right of its present officials to hold their respective offices, or the right, power and authority of the County to enter into the Lease or to levy and collect taxes for its repayment.

## **ENFORCEABILITY OF OBLIGATIONS**

On the closing dates for delivery of the 2017A Certificates to the Underwriter thereof, Lindquist & Vennum LLP, Minneapolis, Minnesota, Bond Counsel, will deliver its opinion dated the date of such delivery that the 2017A Certificates, the Lease, the Ground Lease and the Trust Agreement are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the 2017A Certificates, the Trust Agreement, the Ground Lease and the Lease may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not examined nor attempted to examine or verify any information contained in this Official Statement, and will express no opinion with respect thereto.

## **MISCELLANEOUS**

Any statements made in this Official Statement, including Appendix A and Appendix B, involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Trust Agreement, the Lease and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

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## **APPENDIX A - DEFINITIONS**



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## DEFINITIONS OF CERTAIN INFORMATION

The following are definitions of certain of the words and terms used in this Official Statement.

1992 Certificates means the \$9,950,000 Limited Tax General Tax Obligation Certificates, dated September 1, 1992.

1994A Certificates means the \$5,630,000 Limited Tax General Tax Obligation Certificates, dated November 1, 1994.

1997A Certificates means the \$3,460,000 Limited Tax General Obligation Certificates, dated April 1, 1997.

1999 Certificates means the \$8,555,000 Limited Tax General Obligation Certificates, dated April 1, 1999.

2000 Certificates means the \$10,000,000 Limited Tax General Obligation Certificates, dated December 1, 2000.

2001 Certificates means the \$13,000,000 Limited Tax General Obligation Certificates, dated January 1, 2001.

2004 Certificates means the \$13,170,000 Limited Tax General Obligation Certificates, dated November 1, 2004.

2005A Certificates means the \$1,700,000 Limited Tax General Obligation Certificates, dated October 15, 2005.

2007 Certificates means the \$12,275,000 Limited Tax General Obligation Certificates, dated August 15, 2007.

2007B Certificates means the \$2,130,000 Limited Tax General Obligation Certificates dated November 20, 2007.

2008A Certificates means the \$4,170,000 Limited Tax General Obligation Certificates dated October 3, 2008.

2010 Certificates means the \$3,170,000 Certificates of Participation, Series 2010A and Certificates of Participation, Series 2010B dated the date of issuance.

2010A Certificates means the \$2,785,000 Taxable Certificates of Participation, Series 2010A dated the date of issuance.

2010B Certificates means the \$385,000 Certificates of Participation, Series 2010B dated the date of issuance.

2011A Certificates means the \$2,075,000 Certificates of Participation, Series 2011A dated the date of issuance.

2013A Certificates means the \$12,005,000 Limited Tax General Obligation Certificates of Participation, Series 2013 dated the date of issuance.

2014A Certificates means the \$7,535,000 Limited Tax General Obligation Certificates of Participation, Series 2014A dated the date of issuance.



2016A Certificates means the \$3,345,000 Limited Tax General Obligation Certificates of Participation, Series 2016A dated the date of issuance.

2016B Certificates means the \$1,635,000 Limited Tax General Obligation Certificates of Participation, Series 2016B dated the date of issuance.

2017A Certificates means the \$43,255,000 Limited Tax General Obligation Certificates of Participation, Series 2017A dated the date of issuance.

Act of Bankruptcy means any of the following events:

(i) The County shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the County or of all or a substantial part of either of their property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the County, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the County (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or of all or any substantial part of the assets of the County, or (c) similar relief in respect of the County under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

Additional Certificates means any additional parity Certificates issued pursuant to the Trust Agreement.

Authorized Officer means, when used with respect to the County, the County Auditor or any other person who is designated in writing by the County Auditor as an Authorized Officer and, when used with respect to the Trustee, means any vice president and/or trust officer who is authorized to take the action in question on behalf of the Trustee.

Authorized Newspapers means a financial paper or a newspaper of general circulation in Sioux Falls, South Dakota.

Certificates means, collectively, the 2017A Certificates, the Series 2016A Certificates and the Series 2016B Certificates, the Series 2014A Certificates, the 2013A Certificates, the 2011A Certificates, the 2010 Certificates, the 2007B Certificates, the 2007A Certificates, 2005A Certificates, the 2004 Certificates, the 2001 Certificates, the 2000 Certificates, the 1999 Certificates, the 1997A Certificates, the 1994A Certificates and the 1992 Certificates.

Construction Account means the account established under Section 4.2 of the Trust Agreement.

County Board means the governing body of the County.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York or any successor securities depository for a series of Certificates appointed pursuant to the Trust Agreement.

DTC Participants means any broker-dealer, bank or other financial institution from time to time for which DTC holds the Certificates of a series as securities depository.

Eighth Amendment to Lease means the Eighth Amendment to Lease-Purchase Agreement, dated as of October 1, 2006, between the County and the Trustee.

Eighth Supplemental Trust means the Eighth Supplemental Declaration of Trust, dated as of October 1, 2006, by the Trustee and joined in by the County.

Eleventh Amendment to Lease means the Eleventh Amendment to Lease-Purchase Agreement, dated as of September 1, 2008, between the County and the Trustee.

Eleventh Supplemental Trust means the Eleventh Supplemental Declaration of Trust, dated as of September 1, 2008, by the Trustee and joined in by the County.

Facilities means the buildings, structures and improvements now or hereafter located on the Land.

Fifth Amendment to Ground Lease means the Fifth Amendment to the Ground Lease Agreement, dated as of December 1, 2017, between the County and the Trustee.

Fifth Amendment to Lease means the Fifth Amendment to Lease-Purchase Agreement, dated as of September 1, 2004.

Fifth Supplemental Trust means the Fifth Supplemental Declaration of Trust by the Trustee and joined in by the County, dated as of September 1, 2004.

Fifteenth Amendment to Lease means the Fifteenth Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of December 1, 2014.

Fifteenth Supplemental Trust means the Fifteenth Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of December 1, 2014.

First Amendment to Ground Lease means the First Amendment to the Ground Lease Agreement, dated as of December 1, 2000, between the County and the Trustee.

First Amendment to Lease means the First Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of November 1, 1994.

First Supplemental Trust means the First Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of November 1, 1994.

Fiscal Year means the twelve-month fiscal period of the County, which commences on January 1 in every year and ends on December 31 of that year.

Fourth Amendment to Ground Lease means the Fourth Amendment to the Ground Lease Agreement, dated as of November 1, 2010, between the County and the Trustee.

Fourth Amendment to Lease means the Fourth Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of December 1, 2000.

Fourth Supplemental Trust means the Fourth Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of December 1, 2000.

Fourteenth Amendment to Lease means the Fourteenth Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of November 1, 2013.

Fourteenth Supplemental Trust means the Fourteenth Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of November 1, 2013.



Ground Lease means the Ground Lease Agreement, dated as of September 1, 1992, between the County and the Trustee, as amended and supplemented.

Interest means the portion of any Lease Payment designated as and comprising interest as described in the Lease.

Interest Payment Date means any of the dates for scheduled payments of Interest, as shown in the Lease.

Land means the land described on Exhibit A to the Ground Lease.

Lease means the Original Lease, as amended and supplemented by the First Amendment to Lease, the Second Amendment to Lease, the Third Amendment to Lease, the Fourth Amendment to Lease, the Fifth Amendment Lease, the Sixth Amendment Lease, the Seventh Amendment to Lease, the Eighth Amendment to Lease, the Ninth Amendment to Lease, the Tenth Amendment to Lease, the Eleventh Amendment to Lease, the Twelfth Amendment to Lease, the Thirteenth Amendment to Lease, the Fourteenth Amendment to the Lease, the Fifteenth Amendment to the Lease, the Sixteenth Amendment to the Lease, and the Seventeenth Amendment to the Lease.

Lease Payment or Lease Payments means the payment due from the County to the Trustee on each Payment Date during the term of the Lease, as shown for the Lease.

Lease Payment Account means the account established under Section 4.3 of the Lease.

Ninth Amendment to Lease means the Ninth Amendment to Lease-Purchase Agreement, dated as of August 1, 2007, between the County and the Trustee.

Ninth Supplemental Trust means the Ninth Supplemental Declaration of Trust, dated as of August 1, 2007, by the Trustee and joined in by the County.

Net Proceeds means any insurance proceeds paid with respect to the Facilities, remaining after payment therefrom of all expenses incurred in the collection thereof.

Operations Agent means U.S. Bank National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107, as operations agent for the Trustee.

Original Lease means the Lease-Purchase Agreement, dated as of September 1, 1992, between the Trustee and the County.

Original Trust Agreement means the Declaration of Trust, dated as of September 1, 1992, by the Trustee and joined in by the County.

Original Purchaser or Underwriter means, with respect to any series of Certificates, the bank, investment banker, bond dealer or other Person who acts as underwriter or otherwise purchases those Certificates from the County; the Original Purchaser of the 2017A Certificates is Piper Jaffray & Co.

Outstanding means when used with reference to a series of Certificates and as of any particular date, means all the Certificates of such series theretofore delivered except: (i) any Certificate canceled or fully paid by the Trustee at or before said date; (ii) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Trust Agreement; and (iii). for the sole purpose of determining the percentage of the Certificate owners consenting to an amendment to the Trust Agreement or authorizing any action by the Trustee or the exercise of any remedy under the Trust Agreement, any Certificate owned by the County or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other

purposes Certificates owned by the County or any such entity which are not described in paragraphs (i) and (ii) shall be treated as Outstanding under the Trust Agreement.

Owner or Certificate Owner or any similar term, when used with respect to a series of Certificates, means the registered owner of any Outstanding Certificate.

Payment Date means the date upon which the Lease Payment is due and payable as provided for in the Lease.

Principal means the portion of the Lease Payment designated as principal in the Lease

Principal Balance means for the Certificates as of any date, less the aggregate amount of Principal theretofore paid on the Certificates.

Principal Payment Date means any of the dates for scheduled payments of Principal as shown for the Lease.

Project means the Land and the Facilities for the Lease.

Rebate Certificate means the Rebate Certificates executed by the Issuer on the date the 1992 Certificates were issued, the 1994A Certificates were issued, the 1997A Certificates were issued, the 1999 Certificates were issued, the 2000 Certificates were issued, the 2001 Certificates were issued, the 2004 Certificates were issued, the 2005A Certificates were issued, the 2005C Certificates were issued, the 2006 Certificates were issued, the 2007 Certificates were issued, the 2007B Certificates were issued, the 2008 Certificates were issued, the 2010 Certificates were issued, the 2011A Certificates were issued, the 2013A Certificates were issued, the Series 2014A Certificates were issued, the Series 2016A Certificates and the Series 2016B Certificates were issued, and 2017A Certificates are issued.

Registrar means U.S. Bank National Association, in St. Paul, Minnesota, or any successor Registrar appointed by the Trustee pursuant to Section 6.6 of the Trust Agreement.

Representation Letter means the Letter of Representation (Book-Entry-Only Municipal Bonds) executed by and between the County, the Original Purchaser and DTC.

Resolution means the resolution adopted by the Board of County Commissioners as they may be amended from time to time.

Second Amendment to Ground Lease means the Second Amendment to the Ground Lease Agreement, dated as of October 1, 2005, between the County and the Trustee.

Second Amendment to Lease means the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997, between the County and the Trustee.

Second Supplemental Trust means the Second Supplemental Declaration of Trust, dated as of April 1, 1997, by the Trustee and joined in by the County.

Seventh Amendment to Lease means the Seventh Amendment to Lease-Purchase Agreement, dated as of October 1, 2005, between the County and the Trustee.

Seventh Supplemental Trust means the Seventh Supplemental Declaration of Trust, dated as of October 1, 2005, by the Trustee and joined in by the County.

Seventeenth Amendment to Lease means the Seventeenth Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of December 1, 2017.



Seventeenth Supplemental Trust means the Seventeenth Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of December 1, 2017.

Sixth Amendment to Lease means the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005, between the County and the Trustee.

Sixth Supplemental Trust means the Sixth Supplemental Declaration of Trust, dated as of October 1, 2005, by the Trustee and joined in by the County.

Sixteenth Amendment to Lease means the Sixteenth Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of October 1, 2016.

Sixteenth Supplemental Trust means the Sixteenth Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of October 1, 2016.

State means the State of South Dakota.

State and Federal Laws means the Constitution and any law of the State and any rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal agency.

Tenth Amendment to Lease means the Tenth Amendment to Lease-Purchase Agreement, dated as of October 1, 2007, between the County and the Trustee.

Tenth Supplemental Trust means the Tenth Supplemental Declaration of Trust, dated as of October 1, 2007, by the Trustee and joined by the County.

Term of the Lease or Lease Term the period during which the Lease is in effect as specified in Section 4.1 of the Lease.

Third Amendment to Ground Lease means the Third Amendment to the Ground Lease Agreement, dated as of August 1, 2007, between the County and the Trustee.

Third Amendment to Lease means the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999, between the County and the Trustee.

Third Supplemental Trust means the Third Supplemental Declaration of Trust, dated as of April 1, 1999, by the Trustee and joined by the County.

Thirteenth Amendment to Lease means the Thirteenth Amendment to Lease-Purchase Agreement, dated as of September 1, 2011, between the County and the Trustee.

Thirteenth Supplemental Trust means the Thirteenth Supplemental Declaration of Trust, dated as of September 1, 2011, by the Trustee and joined by the County.

Trust Agreement means the Original Trust Agreement, as amended and supplemented by the First Supplemental Trust, the Second Supplemental Trust, the Third Supplemental Trust, the Fourth Supplemental Trust, the Fifth Supplemental Trust, the Sixth Supplemental Trust, the Seventh Supplemental Trust, the Eighth Supplemental Trust, the Ninth Supplemental Trust, the Tenth Supplemental Trust, the Eleventh Supplemental Trust, the Twelfth Supplemental Trust, the Thirteenth Supplemental Trust, the Fourteenth Supplemental Trust, the Fifteenth Supplemental Trust, the Sixteenth Supplemental Trust, and the Seventeenth Supplemental Trust.

Trustee means U.S. Bank National Association, and its successors and assigns, in its capacity as trustee under a Trust Agreement.

Twelfth Amendment to Lease means the Twelfth Amendment to Lease-Purchase Agreement, dated as of November 1, 2010, between the County and the Trustee.

Twelfth Supplemental Trust means the Twelfth Supplemental Declaration of Trust, dated as of November 1, 2010, by the Trustee and joined by the County.

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**APPENDIX B –  
SUMMARY OF COUNTY INFORMATION**



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## GENERAL INFORMATION

Minnehaha County (the "County") is located in southeastern South Dakota. Ten cities are located in the County. Sioux Falls, the County seat, is the largest city in South Dakota.

Minnehaha County was organized in 1862 and reorganized in 1869 and is governed by a Board of County Commissioners consisting of five members.

Total land area of the County is approximately 814 square miles. The 2010 population census is 169,468. The current 2016 estimated population is 181,164, while 2015 is 178,762.

The City of Sioux Falls represents 6 percent of the land area in the County, but its 2010 population census of 153,888 (132,793 in Minnehaha County) was 86 percent of the County's total population.

The four largest post-secondary institutions in Minnehaha County are:

<u>Institution</u>	<u>Enrollment</u>
South Dakota Public Universities and Research Center	3,000
Southeast Technical Institute	2,500
Augustana College	1,900
University of Sioux Falls	1,500

## Governmental Organization and Services

The County is governed by a 5-member board of Commissioners, all of whom are elected at large to overlapping 4-year terms of office. The current County board consists of the following individuals:

<u>Name</u>	<u>Title</u>	<u>Expiration of Term</u>
Gerald Beninga	Chairman	December 31, 2018
Jean Bender	Vice Chair	December 31, 2020
Cindy Heiberger	Commissioner	December 31, 2018
Jeff Barth	Commissioner	December 31, 2018
Dean Karsky	Commissioner	December 31, 2020
Bob Litz	Auditor	March 4, 2019
Aaron McGowan	States Attorney	December 31, 2020
Pam Nelson	Treasurer	December 31, 2020
Carol Muller	Commission Administrative Officer	Appointed

## Employees and Pension Plans

Minnehaha County employs approximately 651 persons. Employees of the County are covered by the South Dakota Retirement System administered by the State of South Dakota. The employees are separated into two categories: Class A (all employees other than public safety employees), who contribute 6 percent of their salary and Class B (the public safety employees), who contribute 8 percent of their salary, all of which is matched by the County. Members' contributions earned interest at a rate of 0.027% for the period July 1, 2015 to June 30, 2016. Anticipated earnings to be posted on June 30, 2017 is to be 0.045%.



### Historical Earning

Year ended	<u>June 2016</u>	<u>June 2015</u>	<u>June 2014</u>
Interest Rate	0.027%	0.05%	0.08%

Such contributions and credited interest are 100 percent vested and may be withdrawn upon termination of employment. The County's total cost of the plan for the year ended December 31, 2016 was \$1,819,031.12.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's Cost	\$1,819,031.12	\$1,756,272.16	\$1,700,718.20

Minnehaha County has two bargaining groups representing a portion of its employees. The Deputies' Association represents 191 law enforcement employees, and AFSCME Local No. 2561 represents 18 highway construction workers.

### Valuations

The County Director of Equalization compiles an assessed value of all real property subject to taxation each year. The Assessment date for property is January 1. However, all property is to be assessed at its full and true market value as of the November 1 immediately preceding the assessment year. For example, the 2016 assessment for taxes payable in 2017 is the assessed value as of November 1, 2015. South Dakota Codified Laws, Section 10-13-37, provides that property taxes shall be levied on valuations where the median level of assessment represents 85 percent of the market value as determined by the State Department of Revenue. The value so determined is referred to in this Official Statement as the "taxable value."

A levy of "dollars per thousand" is applied to the taxable value, in order to satisfy the budgets of each taxing entity.

### Discretionary Property Tax Reduction And Tax Increment

State law provides for a tax break for new and/or improved commercial and industrial businesses. A discretionary property tax reduction formula is applied to construction completed by the assessment date of November 1. Each taxing entity has the option of implementing this formula to promote new businesses; the tax break is for five years. The percentage applied to the assessed value is determined by the taxing entity.

In addition to the discretionary property tax reduction formula described above, municipalities and counties may also create tax increment districts. At the time an increment district is certified, there is an assessed value within its boundary. This valuation is the base value and the county can collect taxes only on the amount of the base value. The additional valuation has the same levy applied but the dollars collected are segregated to pay costs of public improvements within the increment district, including the retirement of tax incremental revenue bonds. There are 17 increment districts, two in the City of Brandon, one in the City of Dell Rapids, thirteen in the City of Sioux Falls and one in Minnehaha County. The property included in these tax increment districts has a 2016 assessed valuation of approximately \$169,922,946.

**Table I**  
**Minnehaha County 2017 Taxable Valuations**

<u><b>Outside Corporate Limits</b></u>	
Agricultural.....	\$ 875,104,525
Non-Agricultural – Owner Occupied.....	1,142,194,989
Non-Agricultural – Other.....	243,880,126
<u><b>Within Corporate Limits</b></u>	
Agricultural.....	\$ 14,797,101
Non-Agricultural – Owner Occupied.....	6,625,202,327
Non-Agricultural – Other.....	4,544,351,114
Total Taxable Value of Real Property .....	<u>\$13,445,530,182</u>
<u><b>Total Valuation of Centrally Assessed Properties</b></u>	
Railroad.....	9,744,129
Utilities.....	228,159,226
Telephone – within corporate limits .....	14,944,858
<b>Total – All Property.....</b>	<b><u>\$13,698,378,395</u></b>

**Table II**  
**Historical Assessed Value of Real Property**

*(Full and True Value)*

<u><b>Year</b></u>	<u><b>Assessed Value</b></u>
2017	\$14,839,647,778
2016	14,151,279,407
2015	13,388,693,578
2014	12,753,220,459
2013	12,184,294,920
2012	11,881,740,351
2011	12,012,065,513
2010	11,752,473,147
2009	11,669,697,195

Assessed Value has been updated by the Director of Equalization's office. All previous years shown have been corrected.

**Table III**  
**County Levies**

(Dollars per \$1,000 of Taxable Valuation)

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
General Fund Levy (SDCL 10-12-21)	2.945	3.059	3.006	3.092	3.080
Building Fund Levy (SDCL 7-25-1)	0.307	0.320	0.330	0.339	0.354
Bond Redemption Levy (SDCL 7-24-18)	0.089	0.095	0.088	1.107	0.110



**Table IV  
Tax Collections**

<u>Fiscal Year</u>	<u>Amount Levied</u>	<u>First Year Collections</u>		<u>Total Collections<sup>(1)</sup></u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2016	\$ 42,478,176	\$ 42,014,502	98.91%	\$ 42,520,672	100.06%
2015	39,609,765	39,268,723	99.14	39,741,328	100.30
2014	38,595,067	38,255,229	99.12	38,811,887	100.60
2013	37,618,501	37,153,405	98.76	37,648,553	100.10
2012	32,459,456	32,037,200	98.70	32,639,868	100.60
2011	31,024,358	30,730,245	99.05	31,481,036	101.00
2010	30,781,744	30,145,358	97.93	30,769,915	99.90
2009	29,330,789	28,711,606	97.89	29,186,025	99.50

<sup>(1)</sup> As of December 31, 2016

**Table V  
Indirect Debt Payable from Ad Valorem Taxes**

	<u>Debt Outstanding 12/31/16</u>	<u>Applicable to County</u>	<u>Total Amount</u>
<b><i>School Districts:</i></b>			
Baltic	\$ 3,530,000	100.00%	\$ 3,530,000
Brandon Valley	48,885,000	100.00	48,885,000
Dell Rapids	\$25,037,244	76.68	19,198,559
Garretson	4,015,000	100.00	4,015,000
Sioux Falls	134,710,000	86.44	116,443,324
Tri-Valley	1,925,000	100.00	1,925,000
West Central	12,835,000	97.68	12,537,228
<b><i>Municipalities:</i></b>			
Baltic	0	100.00%	0
Brandon	0	100.00	0
Colton	0	100.00	0
Crooks	0	100.00	0
Dell Rapids	0	100.00	0
Garretson	0	100.00	0
Hartford	0	100.00	0
Humboldt	0	100.00	0
Sioux Falls	0	77.51	0
Valley Springs	0	100.00	0
<b>Total Indirect Debt</b>			<b>\$206,534,111</b>

**Table VI**  
**Principal Taxpayers - January 2017**

(Unaudited)

<u>Taxpayer</u>	<u>Business</u>	<u>2017 Taxable Valuation</u>
Lloyd Asset Management LLC	Real Estate	\$ 194,403,666
Sanford Medical Center	Medical	150,240,348
SM Empire Mall LLC	Empire Mall & East Mall	111,476,123
Ronning Real Estate LLC	Real Estate	45,710,659
Billion Family Ltd. Partnership	Real Estate	44,680,546
Dunham Properties	Real Estate	43,976,730
Wal-Mart Real Estate Business	Real Estate	43,511,960
1st National Bank	Banking	41,978,001
Costello Investments LLC	Real Estate	37,890,414
Hubbell Realty Company	Real Estate	36,627,513

### DIRECT DEBT

Set forth below are the current outstanding obligations as of December 31, 2016 (including this issue) which the County is obligated or committed to pay, including obligations not subject to the debt margins set forth below:

#### Certificates of Participation

<u>Purpose</u>	<u>Outstanding Amounts</u>
Limited Tax General Obligation, Series 2007A	\$ 590,000.00 <sup>(1)</sup>
Limited Tax General Obligation, Series 2010A	2,330,000.00
Limited Tax General Obligation, Series 2013A	7,575,000.00
Limited Tax General Obligation, Series 2014A	7,535,000.00
Limited Tax General Obligation, Series 2016A	3,345,000.00
Limited Tax General Obligation, Series 2016B	1,635,000.00
Limited Tax General Obligation, Series 2017A (this issue)	43,255,000.00
	<u>\$ 66,265,000.00</u>

#### Tax Increment Financing

<u>Purpose</u>	<u>Outstanding Amounts</u>
South Dakota Network	\$ 201,409.46
	<u>\$ 201,409.46</u>

#### Financing Lease

<u>Purpose</u>	<u>Outstanding Amounts</u>
Computer Hardware	\$ 12,300.00
	<u>\$ 12,300.00</u>
Total	<u>\$ 66,478,709.46</u>

(1) The 2018 - 2027 maturities (\$7,490,000) of the Limited Tax General Obligation, Series 2007A issue were advanced refunded by the Limited Tax General Obligation, Series 2014A.



## DEBT LIMIT

The total indebtedness of the County may not exceed 5 percent of the actual assessed value of property within the County.

	<u>As of December 31, 2016</u>
2017 Assessed Value	\$ 14,839,647,778.00
	<u>                    x       .05</u>
Maximum	\$    741,982,388.90
Less: Debt Outstanding (including this issue)	<u>          69,277,300.00</u>
Available Margin	<u>\$    672,705,088.90</u>

**Table VII  
Debt Ratios**

	<u>Amount</u>	<u>Per Capita<sup>(1)</sup></u>	<u>Percentage of Assessed Value</u>
Direct General Obligation Debt (including Lease)	\$ 69,277,300	\$ 369.84	0.47%
Indirect Debt Payable from Ad Valorem Taxes	<u>206,534,111</u>	<u>1,102.58</u>	<u>1.39%</u>
<b>Total</b>	<b>\$ 275,811,411</b>	<b>\$ 1,472.42</b>	<b>1.86%</b>

Source: South Dakota Department of Labor, Census Bureau

<sup>(1)</sup> 187,318 for Minnehaha County

## FINANCIAL STATEMENTS

The County is required by South Dakota law to be audited every other year. Attached hereto as APPENDIX C are the County's audited financial statements for the year ended December 31, 2016. Audits for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, are available from the Auditor's office or the County's website as listed below.

<http://www.minnehahacounty.org/dept/au/budgetFinance/budgetFinance.php>

Mr. Bob Litz  
Minnehaha County Auditor  
415 N. Dakota Ave.  
Sioux Falls, SD 57104-2465  
(605) 367-4220

**Table VIII**  
**Cash on Hand**

(As of December 31, 2016)

<b><i>Funds</i></b>	
General Fund	13,336,593.55
Total	13,336,593.55
<b><i>Special Revenue Funds</i></b>	
Pass-Thru Grants	159,051.47
JAG Grants	0.00
<b>EFSP Fund</b>	<b>37,835.83</b>
Highway Fund	6,247,851.41
Fire Protection Fund	68,029.41
Public Library Fund	401,093.65
Museum Store	60,812.70
Emergency Management	34,913.10
Museum Enterprise	202,662.62
Domestic Abuse Fund	19,223.04
24/7 Sobriety Fund	385,109.10
M & P Fund	172,474.08
Building Fund	4,343,147.14
Total	12,132,203.55
<b><i>Capital Projects Fund</i></b>	
Capital Projects	0.00
Total	0.00
<b><i>Debt Service Fund</i></b>	
Bond Redemption Fund	630,106.49
TIF #2 Debt Service Fund	2.82
Total	630,109.31
<b><i>Internal Services Funds</i></b>	
Health/Life Insurance	3,154,503.17
Total	3,154,503.17

**FUTURE FINANCING**

The County is in the preliminary stages of consideration to construct an approximate \$10,000,000 Highway Maintenance Facility within the next two years.



## EMPLOYMENT

**Table IX**  
**Labor Statistics**

(Average Annual)

<u>Year</u>	<u>Minnehaha County</u>	<u>Unemployment Rates</u>	
	<u>Civilian Labor Force</u>	<u>Minnehaha County</u>	<u>State of South Dakota</u>
2016	107,721	2.4%	2.8%
2015	106,273	2.7	3.1
2014	104,561	3.0	3.4
2013	102,682	3.3	3.8
2012	100,806	4.0	4.3
2011	99,299	4.5	4.7
2010	99,159	5.0	5.0
2009	100,524	5.0	4.9
2008	100,944	2.8	3.1

Source: SD Labor Market Information Center  
All figures are updated annually

**Table X**  
**Non-Agricultural Employment by Category**

<u>Category</u>	<u>December 2016</u>	<u>% of Total</u>	<u>June 2017</u>	<u>% of Total</u>
Natural Resources, Mining and Construction	7,900	5.2%	9,000	5.72%
Manufacturing	13,500	8.8	13,400	8.51
Wholesale Trade	8,200	5.3	8,600	5.46
Retail Trade	19,600	12.8	18,900	12.00
Transportation, Warehousing and Utilities	5,700	3.7	5,500	3.49
Information	2,700	1.8	2,600	1.65
Financial Activities	16,100	10.5	16,100	10.22
Professional and Business Services	15,700	10.2	15,300	9.71
Educational and Health Services	31,000	20.2	31,700	20.13
Leisure and Hospitality	14,300	9.3	16,700	10.60
Other Services (except Public Admin)	4,900	3.2	5,300	3.37
Government	13,800	9.0	14,400	9.14
<b>Total</b>	<b><u>153,400</u></b>	<b><u>100.0%</u></b>	<b><u>157,500</u></b>	<b><u>100.00%</u></b>

Source: South Dakota Labor Bulletin. January 2016 for the Sioux Falls Standard Metropolitan Statistical Area

**Table XI  
Major Employers**

<u>Firms</u>	<u>Employees</u>
<b>Non-government:</b>	
Sanford Health	9,260
Avera Health	7,682
Smithfield Foods	3,500
Hy-Vee Food Stores	3,222
Wells Fargo	2,781
Citibank	2,100
Walmart/Sam's Club	1,550
Evangelical Lutheran Good Samaritan Society	1,447
First PREMIER Bank / PREMIER Bankcard	1,236
LifeScape	1,150
<b>Government:</b>	
Sioux Falls School District	3,300
City of Sioux Falls	1,234
Veteran's Hospital	1,253

Source: Sioux Falls Development Foundation (2017 Community Development Profile)

### AREA GROWTH AND DEVELOPMENT

All of the information contained in this section on Area Growth and Development has been obtained from the Sioux Falls Development Foundation's Annual Report unless otherwise noted.

**Table XII  
2016 Sioux Falls Economic Development at a Glance**

(January - October)

	<u>2015</u>	<u>2016</u>
Total value of new construction	\$ 616,285,090	\$611,670,595
Number of building permits	11,289	6,630
Capital investment	\$ 380,000,000	\$387,300,000

### Estimated Populations

<u>Year</u>	<u>Sioux Falls</u>	<u>Minnehaha County</u>	<u>South Dakota</u>
2016	178,500*	187,318	865,454
2015	171,544	185,285	857,919
2014	168,430	182,556	852,561
2013	164,569	179,415	544,922
2012	160,288	175,494	834,441
2011	156,842	172,037	824,398
2010	153,888	169,468	814,180
2000	124,728	148,281	754,844
1990	101,461	123,809	696,004

Source: South Dakota Department of Labor, Census Bureau

\*Estimate, found in Sioux Falls Development Foundation publication

The 2010 Census Metropolitan Statistical Area (MSA) population was 228,261. The estimated December 31, 2016, Sioux Falls population is 178,500; MSA population is 261,000. (MSA includes Minnehaha, Lincoln, Turner, and McCook Counties). This is 29.4 percent of the state's population.

Source: Sioux Falls Development Foundation (Annual Report)

The following new industrial, office, retail medical and public development projects were proposed, undertaken or completed through 2016 in the City of Sioux Falls and its surrounding areas:

#### **Industrial and Warehouse Developments:**

**AmesburyTruth** is nearing completion on their estimated \$10 million center of excellence facility at 5001 West Delbridge Street; combining two area operations and positioning the company for growth in the window and door component manufacturing industry.

**Grand Prairie Foods** is wrapping up construction on a 20,000 square foot addition to their main facility at 1400 North Cleveland Avenue. With the expansion, the company is creating 50 new jobs. In addition, Grand Prairie built and opened a gluten-free bakery across the street earlier this year.

**Interstates Control Systems** is growing with a 18,000 square foot addition to their facility on Research Drive in northwest Sioux Falls. The expansion will provide room for an additional 70 new employees. The \$4 million addition is scheduled for completion in 2017.

Construction is nearing completion on a 57,000 square foot addition to **JDS Industries**. The new warehouse space, located at 1800 East 57th Street North, represents a multi-million dollar expansion for the growing company.

**Johnson Brothers Liquor Co.** added 6,000 square feet of space to their warehouse at 300 East 50th Street North in Sioux Empire Development Park I to accommodate additional merchandise lines for their growing business.

**Kreisers**, a division of Concordance Healthcare Solution, relocated to a larger facility in June. The new \$4 million warehouse is located at 3901 West 34th Street North.

**Krohmer Plumbing, Inc.** moved operations to a larger facility at 3505 North First Avenue in Sioux Empire Development Park III. The 12,000 square foot location provides additional office and operation space for the growing firm that employs 29 in Sioux Falls.

**PODS Moving and Storage** is building a new facility at 1801 North Terin Circle off of I-29 across from Southeast Technical Institute. The \$1 million facility will replace the company's storage facility near the fairgrounds.

Construction wrapped-up on **Republic National Distributing's** new warehouse and office facility at 4101 North Potsdam in Sioux Empire Development Park IV. The \$9 million, 147,000 square foot facility provides the growing company nearly triple its previous space.

**Soukup Construction** completed construction on a new 30,000 square foot office/shop facility at 725 North Ebenezer Avenue in northwest Sioux Falls. The company relocated to the \$6 million facility earlier this year.

**Southern Wine & Spirits of America**, a Florida-based liquor distributor, entered the South Dakota market earlier this year with a depot at 4907 North Velocity Avenue, adjacent to Sioux Empire Development Park VIII.



Ground was broken this fall on a new dealership location for **Titan Machinery**. The new 20,000 square foot facility will consolidate operations and employees from two smaller facilities when finished in the summer of 2017. The new facility is located on 12 acres of land in Sioux Empire Development Park VII.

**IOP Partnership LLC** wrapped up construction on a 12,000 square foot spec warehouse facility. The new building, located in Sioux Empire Development Park VIII, represents a nearly \$600,000 investment.

#### **Office, Commercial and Medical Developments:**

Grocery chain **Aldi** opened a 23,000 square foot store in the former Big Lots space at 2808 South Louise Avenue in May and a second store at 5201 East Arrowhead Parkway a few months ago.

Construction was completed on **Avera Medical Group's new clinic** at 28th and Marion Road. The 84,000 square foot, \$25 million facility houses the state's first freestanding emergency department which opened in October. In September, the Beacom/Reischl Transitional Care Unit, a post-hospital discharge unit to care for patients with specialized medical needs, opened in a remodeled space at the former Avera Prince of Peace long-term care center. The \$3 million remodeled unit offers 24 long-term care beds and employs 42.

Located northeast of 57th and Sycamore, **The Barrel House** is under construction. The 7,800 square foot restaurant represents an investment of approximately \$2 million.

A \$5 million, 40,000 square foot training facility for **D1 Sports Training**, a franchised concept, opened in partnership with **Orthopedic Institute** and **GreatLife Malaska Golf & Fitness**. The facility, located on the northwest side of 69th Street and Southeastern Avenue, opened in July.

**Epicosity**, a marketing firm, moved into the former Good Shepherd building at 300 North Main earlier this year. The completely renovated 10,000 square foot facility allows room for the company's future growth.

Construction continues on the **Evangelical Lutheran Good Samaritan Society** national campus. The 84,000 square foot two-story Ryan Building serves as the organization's main entrance. Major remodeling of the Hoeger Building and the Jerstad Center are part of the \$30 million project. In addition, Good Sam opened a 32-unit memory care assisted living unit on the Prairie Creek campus.

Work wrapped up on the second grocery store for **Fareway Stores** at the southwest corner of 41st Street and Sycamore Avenue with a grand opening in May. The \$3 million, 28,000 square foot store employs 80 people.

Foundation work has started on a building that will include a 3,200 square foot east-side branch bank. **The First National Bank in Sioux Falls** will open their 19th area location at Foss Avenue and Arrowhead Parkway in 2017.

**First Dakota National Bank** is nearing completion on its fourth Sioux Falls location. The \$5 million, 17,445 square foot branch is located south of 69th Street and Western Avenue in the Heather Ridge Village development.

**Forum Communication** expanded their operations into South Dakota with the purchase of a 45,000 square foot building at 5208 North Annika Avenue in Sioux Empire Development Park VII. The warehouse and manufacturing facility will house commercial printing operations.

Groundbreaking ceremonies were held in October for the four-story, 116-room **Holiday Inn Hotel & Suites** conference center and attached **Crooked Pint Ale House** restaurant. The \$12 million complex will encompass 93,200 square feet at 2040 West Russell Street adjacent to Elmwood Golf Course, and will create 50 jobs.

**Hy-Vee** added a C-store and gas station to their East 10th Street store, and Market Cafés to their stores located at Marion Road and West 26th Street, and at Sycamore Avenue and East 26th Street; investing \$6 million

A \$10 million renovation of and addition to the **Jones Seed Co. Warehouse** building on North Phillips Avenue is under way. The former Feeding South Dakota facility will house a mixed-use development.

Construction wrapped-up on **Journey Group's** \$5 million headquarters facility at 58th and Solberg Avenue in the Interstate Crossings office park. Employees moved into the 22,000 square foot, two-story building earlier this year.

**KSFY** moved their studio and operations to Courthouse Square after a \$2.5 million remodel; occupying the entire first floor and part of the second floor.

**The Marketplace at Lake Lorraine**, a 130-acre development, will include **Grand Living**, a \$25 million, 200,000 square foot, 156-unit senior living, assisted living and memory care complex on 8.5 acres scheduled to open in 2017. **Cars for Sale** will have their three-story, 100,000 square foot corporate office in the development. The facility, located on 8.5 acres will be able to house the company's future growth and represents a \$15+ million investment.

**Miller Funeral Home** expanded with a new chapel in southern Sioux Falls. Located at 81st Street and Minnesota Avenue, the 7,000 square foot facility was recently completed.

Fargo-based **Myriad Mobile**, a full-service enterprise mobile and web application development company, expanded to Sioux Falls. The company currently leases space downtown as they explore more permanent options.

The former **Illinois Central Roundhouse** at Fifth and Weber underwent renovations and an addition, and now houses the architecture and interior design firm **Perspective**. The facility provides additional space for the firm to grow as well as studio space for their artist-in-residence program.

**Popeyes Louisiana Kitchen** opened a new restaurant earlier this year, with construction continuing on a second location. The first restaurant is on the site of the former Pizza Inn on East 10th Street, with the second in a new building on South Louise Avenue.

A \$3 million remodel of and addition to the former DM&E building at 8th Street and Phillips is underway. **Riverview Square** will be home to Ohio-based Equity Trust Co. in 2017.

Construction wrapped up on the \$30 million, 58,000 square foot **Edith Sanford Breast Center** on the Sanford campus, and ground was broken September 2015 on **Sanford Imagenetics**. The 100,000 square foot, \$41 million, three-story facility will house various clinics, labs and research programs in addition to space for patient and community education. The facility is scheduled for completion fall of 2017. In addition, groundbreaking ceremonies were held this past spring for **Ava's House**, a 25,800 square foot, 20-bed, inpatient acute level hospice facility. The facility will employ 35 and represents a \$6+ million investment.



The building that housed the former Godfather's Pizza on East 10th Street was razed to make way for **Security Savings Bank** as they expand services to Sioux Falls. The Canton-based branch bank is scheduled to open in fall of 2017.

The Shoppes at **Dawley Farm Village** development, located near Arrowhead Parkway and Highway 11, features a new **Kay Jewelers** store. Construction will wrap up on the 4,500 square foot, \$1.5 million facility for **First Bank & Trust** and **Coffea Roasterie**, and work continues on a \$2 million, 6,400 square foot facility that will house **Voyage Federal Credit Union**, and an 18,000 square foot facility for **PetSmart**.

Construction is underway on **Sioux Falls Federal Credit Union's** sixth member service branch at 4701 South Louise Avenue. The 6,290 square foot facility will open in 2017.

Groundbreaking ceremonies for **Sioux Falls Ford Lincoln's** new location were held in June. The 15 acre site located on West 26th Street near I-29 includes a \$12+ million, 90,000 square foot facility for the dealership and parking for up to 1,000 cars. The company is also constructing a 40,000 square foot auto body repair and paint facility on 4.5 acres adjacent to Luxury Auto Mall. The company will move into their new facilities mid-2017.

**Sioux Falls Specialty Hospital** is wrapping up a \$3 million remodel and reconfiguration of their operating facilities to better accommodate surgeries and add capacity.

Construction is underway on a stand-alone **Slim Chickens** restaurant that will be Arkansas-based chain's first location in South Dakota. The restaurant is located at 24th and Minnesota Avenue.

A new two-story office building will house **Stockwell Engineers**. The \$3 million, 8,556 square foot facility is located at 801 North Phillips Avenue.

A major expansion at **Touchmark at All Saints** is nearing completion. The \$16 million, 125,000 square foot, four story, senior-living addition will provide 60 independent living units and 32 memory care units, underground parking, fitness center and swimming pool.

The multi-million dollar **Washington Square** project broke ground this summer in downtown Sioux Falls across from the Washington Pavilion. The \$30 million, eight-story retail, mixed-use, office, condominium and parking facility will wrap-up late 2017.

#### **Quality of Life Developments:**

**Augustana University** -Froiland Science Complex, \$35 million, 41,000 square foot addition/renovation of the current science center

**Carroll Institute** - 26,000 square foot, \$3.8 million expansion of The Arch

**City of Sioux Falls** - Elmwood Golf Course Phase III renovation, Midco Aquatic Center, Spellerberg Park renovation, \$25 million in sewer upgrades, Great Bear Recreation Park improvements, Caille Branch Library renovation, truck wash facility

**DakotAbilities Longfellow Center** - \$2 million renovation of former elementary school

**Feeding South Dakota** - \$4 million, 45,000 square foot facility on six acres

**Good Earth State Park at Blood Run** – continuing development of the 588 acre state park



**Harrisburg School District** - New \$11 million Horizon Elementary School; new high school wing

**Lutheran Social Services** - \$5 million purchase/renovation of the former Kilian facility

**SculptureWalk** - 56 new outdoor sculptures exhibited throughout downtown Sioux Falls

**Sioux Falls Regional Airport** - \$12.8 million project including elevator/escalators, additional security checkpoint lanes and office relocation

**Sioux Falls School District** - \$11 million Sonia Sotomayor Spanish Immersion Elementary School; \$4.8 million Howard Wood Field House

**Southeast Technical Institute** - \$21 million new facility for expanding auto tech and diesel programs

**Special Olympics** - \$2.1 million, 16,000 square foot UnifyCenter

**Stockyard Ag Experience** - \$250,000 renovation of Falls Park Horse Barn to serve as an ag museum

**Union Gospel Mission** - \$1.6 million, 10,000 square foot chapel and dining addition

**University of Sioux Falls** - \$11.7 million, 46,000 square foot Benedetto Hall residence facility

**Veteran's Administration Medical Center** - \$48 million addition and remodel

#### **Other Developments:**

Aerial Horizons (Walts Avenue); American Bank & Trust (Pinnacle Place); American State Bank (Downtown); Architecture Incorporated renovation (Downtown); Aspen Dental (41st Street); Associates & Co. (East 41st Street); Backyard Grill (Downtown); Barre3 (Village on Louise); Blue Haven Barn & Gardens (West of Sioux Falls); Boomerang Management Enterprises LLC; The Breaks Coffee Roasting Company (Dakota Avenue); Burger King (85th & Minnesota); Caribou Coffee/Einstein Bagels (Minnesota Avenue, 57th & Louise); Casa Vieja Nightclub & Restaurant (West Avenue North); Charles Schwab (Louise Avenue); Cirque Dakota (Russell Street); Crave American Kitchen & Sushi Bar (Downtown); Credit Union Association of the Dakotas (Cleveland Avenue); Cricket Wireless (Arrowhead Parkway, 41st Street, Minnesota Avenue); Crosstown Vinyl (11th Street); Culver's (69<sup>th</sup> & Louise); Dakota Silencer expansion (Louise Avenue); Eastside Antiques & More (Sycamore Avenue); Escape 605 (Westport Avenue); Fairway Independent Mortgage Corp. (Western Mall); Fernson on 8th (Downtown); Fiero Fire Chicken & Fiero Pizza (41st Street); First Adventure Learning Center (Cliff Avenue); Futurescape 3D (26th & Sycamore); GNC (85th & Minnesota); Graham Tire (West 26th & Homefield); Hockey Headquarters (Sanford Sports Complex); Jack & Charlie's (EmpireMall); Jacky's Restaurant (East 10th Street); Jim's Burgers (Minnesota Avenue); JLG Architects (Downtown); JuLiana's Boutique Le Femme (Downtown); Keller's Green Grocery (Downtown); KeyStone Search (Downtown); Klockman Kreations (49th & Louise); Knockerball Sioux Falls; KoKo FitClub (41st & Sycamore); Last Chance Auction & Events Center (West 12th Street); Last Stop Studios (East 10th Street); Legacy Law Firm PC (West 57<sup>th</sup> Street); Marco Pizza (Sycamore Avenue); Marlin's Family Restaurant (Downtown); Marson's Wacko Comedy Club & Event Center (East 10th Street); McDonald's renovation (East 26<sup>th</sup> Street); MeadowBarn atCountryOrchards (SD-115); Menards warehouse addition (Highline Avenue); Modtro (Minnesota Avenue); Nyberg's Ace expansion (Sycamore Avenue, 41<sup>st</sup> Street); Oh My Word Luxury Paperie (Downtown); Old Soul Café (Minnesota Avenue); Oshima Japanese Restaurant (Downtown); Palmer Lea (Downtown); PancherosMexicanGrill (Louise Avenue); Papa Murphy's (East 57th Street); PAve (Downtown); The Pinning Place Studio & Community Learning Center (Main

Avenue); Post Pilgrim (East 10th Street); Plum's Cooking Company renovation/ reopening (East Bank Downtown); Precious Pets Grooming Salon & Doggie Daycare (Grange Avenue); Primp (Downtown); Red Robin Gourmet Burgers & Brews (EmpireMall); Renegade WesternWear (Empire Mall); Ritesman Enterprises Inc. (Downtown); Science Nutrition (Arrowhead Parkway); Scooter's Coffee (85th & Minnesota); Sherlock & Co. (Minnesota Avenue); Sickie's Garage Burgers & Brews (Meadows on the River); Silverstar Car Wash (Louise Avenue); Stensland Family Farms Ice Cream & Country Store (41st Street); Stifel Investment Services (Western Avenue); Suburban Lanes remodel (Spring Avenue); Subway (85th & Louise); Summit Events Hall (Cathedral District); Tiny Toes Showroom (Western Avenue); Tri-State Flooring addition (34th Street North); Tokyo 26 Sushi & Hibachi Express (26th & Sycamore); Toppers Pizza (10th Street, Marion Road); TransPerfect (Downtown); Treasures from the Heart expansion (57th & Louise); uBreakiFix (West 41st Street); UPS store (55<sup>th</sup> & Louise); Verizon Store (41st Street); Wags N' Whiskers West (Louise Avenue); Wireless World (85th & Minnesota); Z'Mariks Noodle Company (Minnesota Avenue).

### **Regional Developments:**

**Badlands Motor Speedway**, formerly Huset's, invested over \$6 million in speedway restorations, concessions, restrooms and grandstand refurbishment at their facility near Brandon. Badlands hosted additional races as well as concerts at the renovated venue.

Dell Rapids saw new replacement facilities constructed during 2016 for **Dairy Queen** and **Ace Hardware**; and the addition of a **Shopko Hometown** store in newly constructed space.

**Fareway Stores** broke ground in October on their third store in the region at 300 Willow Street West in Harrisburg. The new 18,000 square foot store is expected to open in late 2017.

**Fischenich Painting** is the newest addition to the Brandon Industrial Park with the purchase of a one acre lot and construction of a 6,500 square foot facility to house their growing operation.

**Golden West Telecommunications** is constructing a \$1 million expansion to its Dell Rapids office. Heart of Dakota, a publishing company, is building a warehouse and shipping facility in Dell Rapids.

**Marmen Energy** spent \$3 million to acquire additional land for an outdoor storage area adjacent to their manufacturing facility in the Brandon-Corson Development Park. The company added 20 new jobs.

The City of Dell Rapids broke ground on its first industrial park. **Midwest Fresh Logistics**, the park's anchor tenant purchased 10 acres for their \$2.5 million produce distribution operation. Construction is nearing completion.

**Nordstrom's Automotive Inc.**, near Garretson, will add 57,000 square feet of new construction to their auto recycling operations. In addition to the new space, plans call for the demolition of some older facilities and remodeling of some other buildings. Improvements will include new dismantling facilities, additional warehouse space, a new shipping/receiving center, new sales and corporate offices and expanded parking. Work is scheduled to be complete in 2017.

**Showplace Wood Products** unveiled their ShowplaceEVO line and newly constructed 60,000 square foot production facility in July on their Harrisburg campus.

**Sunbelt Rentals** expanded to the region with an 11,000 square foot facility on two acres at 27134 South Parklane Drive off of I-29 south of Sioux Falls. The company has seven employees with plans to add more.



## **Discovery District sets the stage for research and growth**

The USD Discovery District is an 80-acre innovation community under development in northwest Sioux Falls. The project's goals are to provide access to research facilities and infrastructure for research business development, and to spur innovation-driven businesses in an environment for students, researchers and entrepreneurs.

In August, the Discovery District was awarded a \$755,000 U.S. Economic Development Administration (EDA) Grant for construction of 2,800 feet of roads and utilities needed to facilitate development of buildings on the site. Matching funds totaling \$895,000 from the State of South Dakota and Forward Sioux Falls have been committed to fund this initial development phase, estimated at \$1.65 million. Construction will start in spring of 2017.

The Discovery District is a public-private partnership effort between the University of South Dakota, the Governor's Office of Economic Development, the City of Sioux Falls, the Board of Regents and the business community through Forward Sioux Falls. When fully developed, it will include an estimated 26 privately-developed buildings with nearly 2,800 people working for companies in the District.

## **Zeal Center for Entrepreneurship**

The Zeal Center for Entrepreneurship (*formerly SDTBC*) was founded in 2002 and established through Forward Sioux Falls, a partnership initiative between the Sioux Falls Development Foundation and the Sioux Falls Area Chamber of Commerce.

Zeal strives to provide a dynamic environment to build successful businesses. Its entrepreneurship ecosystem brings the area's most successful entrepreneurs and business leaders together with universities, venture capital, and civic and government agencies to increase the speed to launch and success rate of early-stage companies. Offerings through Zeal include business accelerator and incubation programs, mentoring and coaching, infrastructure, office and laboratory space, networking opportunities and resource referrals. Since its inception, Zeal client companies have collectively created more than **728 new jobs** with an average salary of nearly **\$70,000** and secured more than **\$172 million in equity funding**. In addition, entrepreneurs associated with Zeal **hold 65 patents** with an additional 49 pending. For information visit: [www.realzeal.com](http://www.realzeal.com).

### **2016 Highlights**

- Rebranding, remodel, refocus as Zeal Center for Entrepreneurship
- Invested in Falls Angel Fund
- Hosted the BendPoly 9th Semester Digital Marketing program in cooperation with the University of Sioux Falls
- Hosted Entrepreneurial Mindset Academy in cooperation with Augustana University
- Held six I.N. The Know Educational Sessions and six I.N. After Hours Networking Events.

### **New Partnerships**

- The First National Bank in Sioux Falls with a \$50,000 grant to serve as seed money launched a new accelerator fund
- Midco to provide Gigabit fiber connection at Zeal
- Interstate Office Products to sponsor new co-working space at Zeal



**Table XIII**  
**Assets of Sioux Falls Financial Institutions**

<u>Year</u>	<u>Bank Assets</u>
2016	\$ 3,100,000,000,000
2015	2,930,000,000,000
2014	2,913,835,669,000
2013	2,743,462,032,000
2012	2,602,445,867,000
2011	2,473,651,377,000
2010	1,267,556,589,000
2009	711,042,490,000

Source: Sioux Falls Development Foundation (2017 Community Development Profile)

**Table XIV**  
**City of Sioux Falls Plus Minnehaha County Building Permits**

<u>Year</u>	<u>Number of Permits</u>	<u>Residential Value</u>	<u>Commercial/Industrial Value</u>	<u>Agricultural</u>	<u>Total</u>
2016	7,974	\$ 274,226,200	\$ 469,889,800	\$ 4,771,900	\$ 748,887,900
2015	12,685	283,097,600	430,590,700	6,976,700	720,665,000
2014	15,373	394,237,900	252,632,700	4,116,500	650,987,100
2013	7,093	316,435,800	302,264,400	5,540,800	624,241,000
2012	8,067	235,146,900	277,463,100	4,000,900	516,610,900
2011	8,255	158,532,600	175,910,200	5,529,800	339,972,600
2010	8,023	160,198,400	142,307,000	3,500,800	306,006,200
2009	6,727	175,160,200	146,245,100	2,458,300	323,863,600

Source: Sioux Falls Development Foundation

The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**APPENDIX C –  
2016 AUDITED FINANCIALS**

**AUDITED FINANCIAL STATEMENTS OF THE COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**MINNEHAHA COUNTY**

**AUDIT REPORT**

**For the Year Ended December 31, 2016**



MINNEHAHA COUNTY  
COUNTY OFFICIALS  
December 31, 2016

Board of Commissioners:  
Cindy Heiberger, Chairperson  
Gerald Beninga  
Jean Bender  
Jeff Barth  
Dick Kelly

Auditor:  
Bob Litz

Treasurer:  
Pam Nelson

State's Attorney:  
Aaron McGowan

Register of Deeds:  
Julie Risty

Sheriff:  
Mike Milstead

MINNEHAHA COUNTY  
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

County Commission  
Minnehaha County  
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Minnehaha County, South Dakota (County), as of December 31, 2016, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 1, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Minnehaha County Housing and Redevelopment Commission - Safe Home Limited Partnership, a discretely presented component unit of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

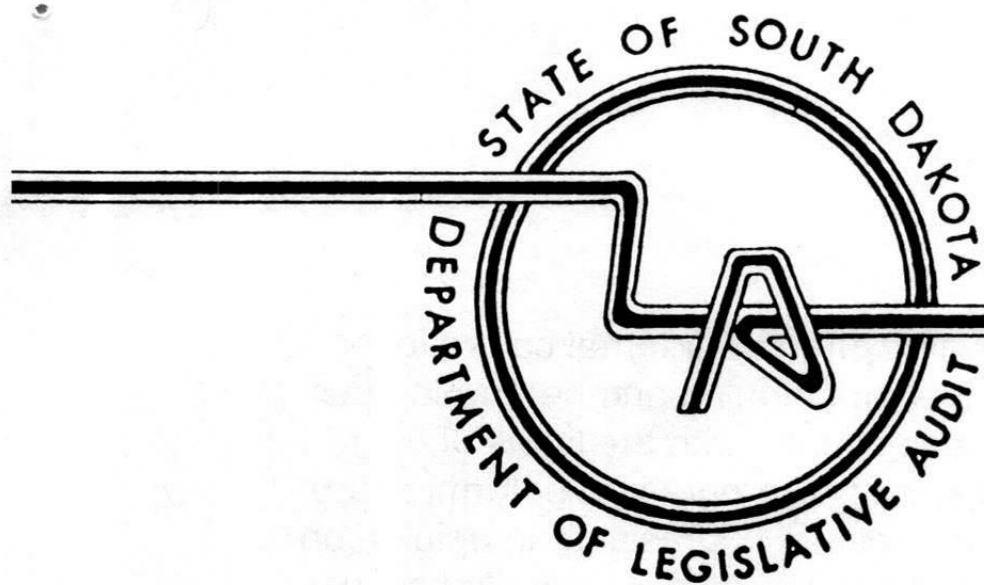
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized with a large, looped "M" and a cursive "Guindon".

Martin L. Guindon, CPA  
Auditor General

August 1, 2017





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C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

County Commission  
Minnehaha County  
Sioux Falls, South Dakota

***Report on Compliance for Each Major Federal Program***

We have audited Minnehaha County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Minnehaha County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.



## ***Report on Internal Control Over Compliance***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Martin L. Guindon, CPA  
Auditor General

August 1, 2017

MINNEHAHA COUNTY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Federal Audit Findings:**

The prior report contained no written federal audit findings.

**Prior Other Audit Findings:**

The prior audit report contained no written other audit findings.

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**

**Summary of the Independent Auditor's Results:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- g. The federal awards tested as major programs were:
  - 1. CFDA # 20.608 Minimum Penalties for Repeat Offenders for Driving While Intoxicated
  - 2. CFDA # 97.042 Emergency Management Performance Grants
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Minnehaha County did qualify as a low-risk auditee.

**Current Federal Audit Findings:**

There are no written current federal compliance audit findings to report.

**Current Other Audit Findings:**

There are no written current other audit findings to report.





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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

County Commission  
Minnehaha County  
Sioux Falls, South Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Minnehaha County, South Dakota (County), as of December 31, 2016, and for the year then ended, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Minnehaha County Housing and Redevelopment Commission - Safe Home Limited Partnership, which represents 100 percent of the assets, liabilities, net position, expenses and revenues of the discretely presented component unit of the County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Minnehaha County Housing and Redevelopment Commission - Safe Home Limited Partnership is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Minnehaha County as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Funding Progress, the Schedule of the County Contributions, and the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) on pages 48 through 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized with a large, looped "M" and a cursive "Guindon".

Martin L. Guindon, CPA  
Auditor General

August 1, 2017

**MINNEHAHA COUNTY**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 29,253,409.58	\$ 13,426.00
Cash with Fiscal Agent	7,700,635.76	
Taxes Receivable--Delinquent	713,471.92	
Accounts Receivable, Net		1,076.00
Notes Receivable (Safe Home)	215,917.98	
Due from Federal Government	15,131.10	
Due from State Government	2,679,999.80	
Due from Local Governments	108,613.82	
Due from Others	166,608.04	3,396.00
Inventory of Supplies	554,452.92	
Deposit with Insurance Pool	343,399.39	
Restricted Assets:		
Cash and Cash Equivalents		103,778.00
Capital Assets:		
Land, Improvements and Construction in Progress	5,343,442.60	77,116.00
Other Capital Assets, Net of Depreciation	87,806,951.83	2,666,004.00
<b>TOTAL ASSETS</b>	<u><u>\$ 134,902,034.74</u></u>	<u><u>\$ 2,864,796.00</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension Related Deferred Outflows	\$ 11,892,700.86	\$
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 11,892,700.86</u></u>	<u><u>\$ 0.00</u></u>
<b>LIABILITIES:</b>		
Hospital Claims Payable	\$ 907,894.34	\$
Accounts Payable	2,322,528.62	18,422.00
Other Current Liabilities	300.00	3,485.00
Unearned Revenue	284,370.22	1,033.00
Noncurrent Liabilities:		
Due Within One Year	13,776,094.28	52,018.00
Due in More than One Year	26,152,719.73	414,956.00
<b>TOTAL LIABILITIES</b>	<u><u>\$ 43,443,907.19</u></u>	<u><u>\$ 489,914.00</u></u>



**MINNEHAHA COUNTY**  
**STATEMENT OF NET POSITION**  
December 31, 2016  
(Continued)

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	\$ 62,638,094.43	\$
Restricted For: (See Note 10)		
Road and Bridge Purposes	7,007,929.46	
Building Purposes	4,213,142.44	
Debt Service Purposes	8,346,066.17	
SDRS Pension Purposes	6,583,965.47	
Other Purposes	4,280,317.24	
Unrestricted	<u>10,281,313.20</u>	<u>2,374,882.00</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 103,350,828.41</u></u>	<u><u>\$ 2,374,882.00</u></u>

The notes to the financial statements are an integral part of this statement.

**MINNEHAHA COUNTY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 21,947,805.03	\$ 3,911,310.25	\$ 685,088.61	\$	\$ (17,351,406.17)	\$
Public Safety	29,488,981.04	4,985,903.81	4,791,909.65		(19,711,167.58)	
Public Works	13,395,520.94	75,002.58	9,474,739.52	3,265.98	(3,842,512.86)	
Health and Welfare	5,979,448.19	367,608.97	306,025.05		(5,305,814.17)	
Culture and Recreation	2,715,189.42	18,794.95	712,336.94		(1,984,057.53)	
Conservation of Natural Resources	94,223.61		353.21		(93,870.40)	
Urban and Economic Development	622,835.42	403,521.89	348.51		(218,965.02)	
Intergovernmental	341,262.84				(341,262.84)	
**Depreciation Expense - Unallocated	116,761.33				(116,761.33)	
*Interest on Long-Term Debt	1,242,770.45				(1,242,770.45)	
Total Primary Government	<u>\$ 75,944,798.27</u>	<u>\$ 9,762,142.45</u>	<u>\$ 15,970,801.49</u>	<u>\$ 3,265.98</u>	<u>(50,208,588.35)</u>	
Component Unit:						
Minnehaha County Housing and Redevelopment Commission and Safe Home LLP	<u>\$ 241,788.00</u>	<u>\$ 195,924.00</u>	<u>\$</u>	<u>\$</u>		<u>(45,864.00)</u>
General Revenues:						
Taxes:						
*The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property Taxes				44,268,463.40	
	Wheel Tax				3,426,521.49	
	State Shared Revenues				2,477,681.94	
	Unrestricted Investment Earnings				122,582.50	100.00
	Miscellaneous Revenue				1,682,540.79	
Total General Revenues					51,977,790.12	100.00
Change in Net Position					1,769,201.77	(45,764.00)
Net Position - Beginning					100,964,289.93	2,420,646.00
Adjustments:						
Prior Period Adjustment - Bank Franchise Accrual 2015					617,336.71	
Adjusted Net Position - Beginning					101,581,626.64	2,420,646.00
NET POSITION - ENDING					<u>\$ 103,350,828.41</u>	<u>\$ 2,374,882.00</u>

The notes to the financial statements are an integral part of this statement.

**MINNEHAHA COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2016

	General Fund	Road and Bridge Fund	Courthouse Building Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 13,336,593.55	\$ 6,247,851.41	\$ 4,343,147.14	\$ 630,106.49	\$ 1,541,207.82	\$ 26,098,906.41
Cash with Fiscal Agent			3,937.16	7,696,698.60		7,700,635.76
Taxes Receivable--Delinquent	599,077.68		66,000.94	19,261.08	29,132.22	713,471.92
Notes Receivable (Safe Home)	215,917.98					215,917.98
Due from Federal Government	15,131.10					15,131.10
Due from State Government	1,582,367.26	880,272.31			217,360.23	2,679,999.80
Due from Local Governments	108,352.91	260.91				108,613.82
Due from Others	163,438.38	710.28			2,459.38	166,608.04
Inventory of Supplies		554,452.92				554,452.92
Deposit with Insurance Pool	343,399.39					343,399.39
<b>TOTAL ASSETS</b>	<b>\$ 16,364,278.25</b>	<b>\$ 7,683,547.83</b>	<b>\$ 4,413,085.24</b>	<b>\$ 8,346,066.17</b>	<b>\$ 1,790,159.65</b>	<b>\$ 38,597,137.14</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Hospital Claims Payable	\$ 907,894.34	\$	\$	\$	\$	\$ 907,894.34
Accounts Payable	1,167,658.11	392,002.11	199,942.80		242,410.76	2,002,013.78
Sign Deposits	300.00					300.00
Unearned Revenue	152,113.80				132,256.42	284,370.22
<b>Total Liabilities</b>	<b>2,227,966.25</b>	<b>392,002.11</b>	<b>199,942.80</b>	<b>0.00</b>	<b>374,667.18</b>	<b>3,194,578.34</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue--Property Taxes	599,077.68		66,000.94	19,261.08	29,132.22	713,471.92
<b>Fund Balances: (See Note 1.m.)</b>						
Nonspendable	528,299.60	554,452.92				1,082,752.52
Restricted		6,737,092.80	4,147,141.50	8,326,805.09	1,073,797.30	20,284,836.69
Assigned	4,769,351.18				312,562.95	5,081,914.13
Unassigned	8,239,583.54					8,239,583.54
<b>Total Fund Balances</b>	<b>13,537,234.32</b>	<b>7,291,545.72</b>	<b>4,147,141.50</b>	<b>8,326,805.09</b>	<b>1,386,360.25</b>	<b>34,689,086.88</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 16,364,278.25</b>	<b>\$ 7,683,547.83</b>	<b>\$ 4,413,085.24</b>	<b>\$ 8,346,066.17</b>	<b>\$ 1,790,159.65</b>	<b>\$ 38,597,137.14</b>

The notes to the financial statements are an integral part of this statement.



**MINNEHAHA COUNTY**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2016**

Total Fund Balances - Governmental Funds \$ 34,689,086.88

Amounts reported for governmental activities in the Statement  
of Net Position are different because:

Net Pension liability reported in governmental activities is (5,308,735.39)  
not an available financial resource and therefore is not  
reported in the funds.

Capital assets used in governmental activities are not 93,150,394.43  
current financial resources and therefore are not reported  
in the funds. Capital assets of \$172,846,341.96 less  
accumulated depreciation of \$79,695,947.53.

Pension related deferred outflows are components of 11,892,700.86  
pension liability (asset) and therefore are not reported  
in the funds.

Long-term liabilities are not due and payable in the current (34,117,585.46)  
period and therefore are not reported in the funds.

G.O. Bonds \$ 30,500,000.00  
Accrued Leave \$ 3,403,876.00  
Other Long-Term Debt \$ 213,709.46

Assets, such as taxes receivable (delinquent), are not 713,471.92  
available to pay for current period expenditures and  
therefore are deferred in the funds.

Internal service funds are used by management to charge 2,833,988.33  
the costs of activities, such as insurance, to individual  
funds. The assets (\$3,154,503.17) and liabilities  
(\$320,514.84) of internal service funds are included in  
governmental activities in the Statement of Net Position.

Long-term liability for net other post employment obligation (502,493.16)  
is not due and payable in the current period and therefore  
is not reported in the funds.

Net Position of Governmental Activities \$ 103,350,828.41

The notes to the financial statements are an integral part of this statement.

**MINNEHAHA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	General Fund	Road and Bridge Fund	Courthouse Building Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes:						
General Property Taxes--Current	\$ 36,995,498.51	\$	\$ 3,870,076.29	\$ 1,148,928.19	\$ 1,637,859.62	\$ 43,652,362.61
General Property Taxes--Delinquent	370,174.26		40,327.13	11,407.73	18,702.51	440,611.63
Penalties and Interest	74,036.92		7,852.34	2,374.25	3,964.41	88,227.92
Telephone Tax (Outside)	8,782.64					8,782.64
Mobile Home Tax	14,155.63		1,480.42	438.80	208.40	16,283.25
Wheel Tax		3,426,521.49				3,426,521.49
Other Taxes	16,124.65					16,124.65
Licenses and Permits	404,532.50	46,997.55			54,570.00	506,100.05
Intergovernmental Revenue:						
Federal Grants	373,351.52	109,654.70			1,165,148.34	1,648,154.56
Federal Shared Revenue	754,602.42					754,602.42
Federal Payments in Lieu of Taxes	10,024.91		1,048.69	311.31	1,586.13	12,971.04
State Grants	3,239.00	720,236.06			26,845.25	750,320.31
State Shared Revenue:						
Bank Franchise	1,350,058.85					1,350,058.85
Motor Vehicle Licenses		8,146,565.08				8,146,565.08
Court Appointed Attorney/Public Defender	180,435.08					180,435.08
Prorate License Fees		412,127.74				412,127.74
Abused and Neglected Child Defense	49,353.80					49,353.80
63 3/4% Mobile Home/Manufactured Home		25,863.77				25,863.77
Telecommunications Gross Receipts Tax	786,781.70					786,781.70
Motor Vehicle 1/4%	44,814.58					44,814.58
Motor Fuel Tax		43,324.48				43,324.48
911 Remittances					2,192,823.60	2,192,823.60
Liquor Tax Reversion (25%)	340,841.39					340,841.39
Other Payments in Lieu of Taxes	1,619.04		169.37	50.28		1,838.69
Other Intergovernmental Revenue:						
Museum Operations (City Share)	562,061.00					562,061.00
Health and Human Services Operations (City Share)	266,642.05					266,642.05
Other Intergovernmental Revenue	227,815.63			47,515.57		275,331.20
Tea-Ellis Shooting Range	6,000.00					6,000.00
Human Resources Consulting	59,475.25					59,475.25
Juvenile Delinquency Center Physicals	2,533.22					2,533.22
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	566,593.27					566,593.27
Register of Deeds' Fees	2,100,297.50				97,671.96	2,197,969.46
Legal Services	706,261.31				14,726.93	720,988.24

Clerk of Courts Fees	234,259.15					234,259.15
Other Fees	85,032.63					85,032.63
Public Safety:						
Law Enforcement	1,428,401.95					1,428,401.95
Prisoner Care	2,730,988.99					2,730,988.99
Sobriety Testing					431,530.48	431,530.48
Other	234.16					234.16
Public Works:						
Road Maintenance Contract Charges		28,005.03				28,005.03
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	331,054.42					331,054.42
Veterans Service Officer	4,687.50					4,687.50
Mental Health Services	31,867.05					31,867.05
Culture and Recreation					18,794.95	18,794.95
Urban and Economic Development	81,045.89					81,045.89
Fines and Forfeits:						
Fines	20,992.19					20,992.19
Costs	142,563.21					142,563.21
Forfeits	197,677.83					197,677.83
Other	1,015.00				2,341.00	3,356.00
Miscellaneous Revenue:						
Investment Earnings	28,325.43	15,614.98	6,232.92	71,183.63	1,225.54	122,582.50
Rent	56,224.40					56,224.40
Special Assessments	3,265.98					3,265.98
Contributions and Donations	6,651.33		75,000.00			81,651.33
Refund of Prior Year's Expenditures	33,074.20					33,074.20
Other	337,670.46	16,967.69			161,599.44	516,237.59
Total Revenues	52,031,138.40	12,991,878.57	4,002,187.16	1,282,209.76	5,829,598.56	76,137,012.45
<b>Expenditures:</b>						
General Government:						
Legislative:						
Board of County Commissioners	694,425.93					694,425.93
Elections	469,468.01					469,468.01
Judicial System	1,816,459.44					1,816,459.44
Financial Administration:						
Auditor	722,442.57					722,442.57
Treasurer	1,334,058.35					1,334,058.35
Other			829,440.50		231,111.48	1,060,551.98
Legal Services:						
State's Attorney	3,826,607.53					3,826,607.53
Public Defender	2,665,754.86					2,665,754.86
Court Appoint Attorney-Public Advocate	797,371.50					797,371.50
Other Administration:						
General Government Building	2,424,059.56					2,424,059.56
Director of Equalization	1,351,479.18					1,351,479.18
Register of Deeds	776,111.30				105,486.88	881,598.18
Predatory Animal	5,066.38					5,066.38
Self-Insurance Plan	169,403.12					169,403.12
Other (S.E.C.O.G.)	24,327.00					24,327.00



**MINNEHAHA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016  
(Continued)

	General Fund	Road and Bridge Fund	Courthouse Building Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Information Technology	1,745,299.35					1,745,299.35
Human Resources	392,152.08					392,152.08
Public Safety:						
Law Enforcement:						
Sheriff	5,445,420.56				26,126.55	5,471,547.11
County Jail	12,647,291.43					12,647,291.43
Coroner	336,538.97					336,538.97
Juvenile Detention	3,459,712.96					3,459,712.96
Air Guard	806,791.30					806,791.30
Humane Society	45,020.33					45,020.33
Southeast Technical Institute Security	117,503.50					117,503.50
24/7 Sobriety					422,803.77	422,803.77
Involuntary Commitment Housing	111,330.00					111,330.00
Protective and Emergency Services:						
Fire Protection					517,691.00	517,691.00
Emergency and Disaster Services					1,039,070.02	1,039,070.02
Communication Center	314,156.00				2,192,823.60	2,506,979.60
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		10,615,516.17				10,615,516.17
Health and Welfare:						
Economic Assistance:						
Support of Poor	3,443,237.97					3,443,237.97
Health Assistance:						
Ambulance	180,000.00					180,000.00
Social Services:						
Inter-lakes Community Action	2,000.00					2,000.00
Compass Center	35,000.00					35,000.00
Domestic Abuse					71,820.27	71,820.27
Safe Home	650,317.77					650,317.77
Children's Inn	89,250.00					89,250.00
Helpline Center	4,000.00					4,000.00
Mental Health Services:						
Mentally Ill	1,002,582.84					1,002,582.84
Developmentally Disabled	5,000.00					5,000.00
Mental Health Centers	174,468.00					174,468.00
Culture and Recreation:						
Culture:						
Public Library					1,041,000.00	1,041,000.00
Historical Museum	1,117,838.76				135,313.93	1,253,152.69
Memorial Day Expense	1,666.54					1,666.54

Recreation:						
Parks	54,335.17					54,335.17
County Fair	150,000.00					150,000.00
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	86,850.42					86,850.42
Soil Conservation Districts	2,000.00					2,000.00
Agri-Business	2,500.00					2,500.00
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	580,267.61					580,267.61
Economic Development:						
Sioux Falls Development Foundation	500.00					500.00
Forward Sioux Falls	2,000.00					2,000.00
Minnehaha County Economic Development Association	5,500.00					5,500.00
Intergovernmental Expenditures		341,262.84				341,262.84
Debt Service	4,100.00		3,226,041.52	1,485,802.52	75,662.74	4,791,606.78
Capital Outlay	290,962.79	5,636,194.80	124,562.51		55,413.87	6,107,133.97
Total Expenditures	<u>50,382,629.08</u>	<u>16,592,973.81</u>	<u>4,180,044.53</u>	<u>1,485,802.52</u>	<u>5,914,324.11</u>	<u>78,555,774.05</u>
Excess of Revenues Over (Under) Expenditures	<u>1,648,509.32</u>	<u>(3,601,095.24)</u>	<u>(177,857.37)</u>	<u>(203,592.76)</u>	<u>(84,725.55)</u>	<u>(2,418,761.60)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In					221,773.00	221,773.00
Transfers Out	(214,773.00)				(7,000.00)	(221,773.00)
Insurance Proceeds	36,492.62		86,084.41			122,577.03
Sale of County Property	15,617.80	14,641.75	1,429,265.76			1,459,525.31
Proceeds of Certificates Issued			4,980,000.00			4,980,000.00
Premium on Refunding Certificates			81,213.05			81,213.05
Payment to Refunded Debt Escrow Agent			(4,959,920.89)			(4,959,920.89)
Total Other Financing Sources (Uses)	<u>(162,662.58)</u>	<u>14,641.75</u>	<u>1,616,642.33</u>	<u>0.00</u>	<u>214,773.00</u>	<u>1,683,394.50</u>
Net Change in Fund Balance	<u>1,485,846.74</u>	<u>(3,586,453.49)</u>	<u>1,438,784.96</u>	<u>(203,592.76)</u>	<u>130,047.45</u>	<u>(735,367.10)</u>
Changes in Nonspendable		<u>26,103.42</u>				<u>26,103.42</u>
Fund Balance - Beginning	11,434,050.87	10,851,895.79	2,708,356.54	8,530,397.85	1,256,312.80	34,781,013.85
Adjustments:						
Bank Franchise Tax Accrual 2015	617,336.71					617,336.71
Adjusted Fund Balance - Beginning	<u>12,051,387.58</u>	<u>10,851,895.79</u>	<u>2,708,356.54</u>	<u>8,530,397.85</u>	<u>1,256,312.80</u>	<u>35,398,350.56</u>
FUND BALANCE - ENDING	<u>\$ 13,537,234.32</u>	<u>\$ 7,291,545.72</u>	<u>\$ 4,147,141.50</u>	<u>\$ 8,326,805.09</u>	<u>\$ 1,386,360.25</u>	<u>\$ 34,689,086.88</u>

The notes to the financial statements are an integral part of this statement.

**MINNEHAHA COUNTY**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ (735,367.10)

Amounts reported for governmental activities in the Statement of  
Activities are different because:

This amount represents capital asset purchases which are reported 6,107,133.97  
as expenditures on the fund financial statements but increase assets  
on the government-wide statements.

This amount represents the current year depreciation expense reported (4,905,909.76)  
in the statement of activities which is not reported on the fund  
financial statements because it does not require the use of current  
financial resources.

In the Statement of Activities, the loss on disposal of assets is reported, (36,375.72)  
whereas in the governmental funds, the disposal of fixed assets is not  
reflected. This is the amount by which deletions (\$2,026,923.87)  
exceeds accumulated depreciation of the deletions (\$1,990,548.15).

Payment of principal on long-term debt is an expenditure in the 3,483,761.11  
governmental funds but the payment reduces long-term liabilities  
in the statement of net position.

G.O. Bond \$ 3,419,153.93  
Other Long-Term \$ 64,607.18

The fund financial statement governmental fund property tax accruals 31,260.97  
differ from the government-wide statement property tax accruals in  
that the fund financial statements require the amounts to be  
"available".

Governmental funds recognize expenditures for amounts of (138,214.54)  
compensated absences actually paid to employees with current  
financial resources during the fiscal year. Amounts of compensated  
absences earned by employees are not recognized in the funds.  
In the Statement of Activities, expenses for these benefits are  
recognized when the employees earn leave credits.

Other Postemployment benefits reported in the Statement of (29,115.15)  
Activities does not require the use of current financial resources and  
therefore is not reported as expenditures in governmental funds.

Supplies acquired are an expenditure on the fund statements when 26,103.42  
purchased but are expensed on the Statement of Activities when  
consumed. This amount represents the "change in" inventory of  
supplies.

Changes in the pension related deferred outflows/inflows are direct (1,921,375.89)  
components of pension liability (asset) and are not reflected in the  
governmental funds.

Internal service funds are used by management to charge the costs (76,482.60)  
of certain activities, such as insurance to individual funds. The net  
revenue (expense) of the internal service funds is reported with  
governmental activities.

The issuance of long-term debt, Refunding Series 2016A and 2016B, (36,216.94)  
is an other financing source and the payment to the refunded debt  
escrow agent is an other financing use in the fund statements.  
However, the net activity of the refunding transaction effect long-term  
liabilities of the refunding government-wide statements.

Change in Net Position of Governmental Activities \$ 1,769,201.77

The Notes to the Financial Statements are an integral part of this statement.



**MINNEHAHA COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2016**

	<u>Internal Service Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,154,503.17
<b>TOTAL ASSETS</b>	<u>\$ 3,154,503.17</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 320,514.84
<b>TOTAL LIABILITIES</b>	<u>\$ 320,514.84</u>
<b>NET POSITION:</b>	
Unrestricted Net Position	\$ 2,833,988.33
<b>TOTAL NET POSITION</b>	<u>\$ 2,833,988.33</u>

The notes to the financial statements are an integral part of this statement.

**MINNEHAHA COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2016

	<u>Internal Service Funds</u>
<b>Operating Revenues:</b>	
Charges for Goods and Services	\$ 4,355,369.26
<b>Operating Expenses:</b>	
Other Current Expense:	
Insurance Costs	294,665.77
Claims Paid	3,940,517.17
Administration Fee	160,182.65
Other	41,765.65
Total Operating Expenses	<u>4,437,131.24</u>
Operating Income (Loss)	(81,761.98)
<b>Nonoperating Revenues (Expenses):</b>	
Investment Earnings	<u>5,279.38</u>
Change in Net Position	(76,482.60)
Net Position - Beginning	<u>2,910,470.93</u>
NET POSITION - ENDING	<u><u>\$ 2,833,988.33</u></u>

The notes to the financial statements are an integral part of this statement.

**MINNEHAHA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2016**

	<u>Internal Service Funds</u>
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts from Customers	\$ 4,409,481.63
Cash Payments to Suppliers of Goods and Services	<u>(4,396,291.48)</u>
Net Cash Provided (Used) by Operating Activities	13,190.15
<b>Cash Flows from Investing Activities:</b>	
Cash Received for Interest	<u>5,279.38</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,469.53
Cash and Cash Equivalents at Beginning of Year	<u>3,136,033.64</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 3,154,503.17</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (81,761.98)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Receivables	54,112.37
Increase in Accounts and Other Payables	<u>40,839.76</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 13,190.15</u></u>

The notes to the financial statements are an integral part of this statement.



**MINNEHAHA COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2016**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 5,618,701.49
<b>TOTAL ASSETS</b>	<u>\$ 5,618,701.49</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	\$ 13,997.16
Due to Other Governments	<u>5,604,704.33</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 5,618,701.49</u>

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Minnehaha County (County), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The County is financially accountable if its County Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the County (primary government). The County may also be financially accountable for another organization if that organization is fiscally dependent on the County.

Minnehaha County (County) created a Housing and Redevelopment Commission (Commission) under the authority of South Dakota Codified Law 11-7-1 on February 9, 2010. The Commission is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the County Commission's Chairperson with the approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission.

On February 19, 2010, the Commission entered into a partnership agreement and is the General Partner of Safe Home Limited Partnership (Partnership) whose purpose is to provide for construction of permanent housing for the homeless pursuant to a tax credit program and to borrow funds for such purposes and to mortgage or otherwise encumber any or all of the Partnership's assets to secure such borrowing. The Partnership is a proprietary fund-type, discretely-presented component unit of the Commission. The five members of the Partnership Board consist of the same appointed members of the Commission which gives the County the ability to impose its will on the Partnership.

Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Minnehaha County Housing and Redevelopment Commission, 415 North Dakota Avenue, Sioux Falls, SD 57104.

The County participates in a cooperative unit with the City of Sioux Falls. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of the component unit in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

**Governmental Funds:**

*General Fund* – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

*Special Revenue Funds* – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.



Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planing, dragging, and maintaining county highways and also for dragging, maintaining, and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

Courthouse Building Fund – authorized by SDCL 7-25-1 to account for the accumulation of a special tax levy not to exceed ninety cents per thousand dollars of taxable valuation annually for the acquisition or construction of a courthouse, office, jail building, county extension buildings, grandstands and bleachers, highway maintenance buildings, or public library. This is a major fund.

The remaining special revenue funds are not considered major funds: 911 Service, Fire Protection, Emergency Management, Domestic Abuse, Public Library, Pass-Through Grants, Museum Store, Museum Enterprise, Emergency Food and Shelter Program (EFSP), 24/7 Sobriety, and Modernization and Preservation Relief. These funds are reported on the fund financial statements as “Other Governmental Funds.”

*Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.*

Bond Redemption Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is a major fund.

The SDN Communication Tax Increment District #2 Fund maintained by the County is not considered a major fund and is reported on the financial statements as “Other Governmental Funds.”

#### **Proprietary Funds:**

*Internal Service Funds – Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Internal service funds are never considered to be major funds. The Healthcare Self-Insurance Fund is the only internal service fund maintained by the County.*

#### **Fiduciary Funds:**

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

*Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.*

#### **c. Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, governmental and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

*Fund Financial Statements:*

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 30 days. The revenues which are accrued at December 31, 2016 are amounts due from federal, state, and local governments and other entities.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:



1. In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Funds, so that expenses are reported only by the function to which they relate.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by SDCL 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Financial Statements:*

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2016 balance of governmental activities capital assets, excluding infrastructure, was reported based on original costs.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated



depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	\$ 1.00	-----N/A-----	-----N/A-----
Improvements Other Than Buildings	\$ 50,000.00	Straight-line	10-25 years
Buildings	\$ 50,000.00	Straight-line	40-99 years
Machinery and Equipment	\$ 5,000.00	Straight-line	3-25 years
Infrastructure	\$ 50,000.00	Straight-line	25-50 years

Land is an inexhaustible capital asset and is not depreciated.

#### *Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition.

#### g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of limited tax general obligation bonds, tax increment financing note, financing (capital acquisition) leases, compensated absences, and other postemployment benefits.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

#### h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The proprietary fund essentially has access to the entire amount of its cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

l. Application of Net Position:

It is the County's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the County Commissioners.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in nonspendable form such as inventory and South Dakota Public Assurance Alliance.
- Amount not in cash form such as long-term portion of loans receivable.

The County uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed*, then *assigned*, and *lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The County does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

**Major Special Revenue Fund**

Road and Bridge Fund

Courthouse Building Fund

**Revenue Source**

Motor Vehicle Licenses, Grants, Taxes, and  
Intergovernmental Revenue  
Taxes



A schedule of fund balances is provided as follows:

**MINNEHAHA COUNTY**  
**DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	General Fund	Road and Bridge Fund	Bond Redemption Fund	Courthouse Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>						
Nonspendable:						
Inventory	\$	\$ 554,452.92	\$	\$	\$	\$ 554,452.92
South Dakota Public Assurance Alliance	343,399.39					343,399.39
Notes Receivable	184,900.21					184,900.21
Restricted For:						
Road and Bridge Purposes		6,737,092.80				6,737,092.80
Bond Redemption Purposes			8,326,805.09			8,326,805.09
Courthouse Building Purposes				4,147,141.50		4,147,141.50
Fire Protection Purposes					68,029.41	68,029.41
Library Purposes					401,093.65	401,093.65
Domestic Abuse Purposes					19,223.04	19,223.04
24/7 Sobriety Purposes					380,895.59	380,895.59
Modernization and Preservation						
Relief Purposes					165,102.36	165,102.36
TIF #2 Debt Service Purposes					2.82	2.82
Pass-Thru Grant Purposes					1,614.60	1,614.60
Emergency Food and Shelter Program Purposes					37,835.83	37,835.83
Assigned To:						
Applied to Next Year's Budget	4,345,558.00					4,345,558.00
Museum Store Purposes					60,322.83	60,322.83
Museum Enterprise Purposes					200,318.36	200,318.36
Emergency Management Purposes					51,921.76	51,921.76
Donation Purposes	23,793.18					23,793.18
Safe Home Operation Purposes	300,000.00					300,000.00
Capital Accumulation Purposes	100,000.00					100,000.00
Unassigned	8,239,583.54					8,239,583.54
<b>Total Fund Balances</b>	<b>\$ 13,537,234.32</b>	<b>\$ 7,291,545.72</b>	<b>\$ 8,326,805.09</b>	<b>\$ 4,147,141.50</b>	<b>\$ 1,386,360.25</b>	<b>\$ 34,689,086.88</b>

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. County contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2016, the County did not have any investments.

**Credit Risk** – State law limits eligible investments for the County, as discussed above. The County has no investment policy that would further limit its investment choices.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk.

**Concentration of Credit Risk** – The County places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the fund making the investment with the exception of agency funds, which are credited to the General Fund.

### 3. CASH WITH FISCAL AGENT

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:  
\$ 7,700,635.76

Purpose:  
For Debt Service, by debt covenants  
(sinking funds required to be in a separate account)

### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year, except as follows. In 2012 the County loaned the Housing Redevelopment Commission/Safe Home Limited Partnership, a component unit of the County, \$458,956.00 to defray costs associated with providing permanent housing for the homeless. A receivable of \$215,917.98 exists at December 31, 2016. The County expects \$31,009.41 to be collected within one year with the remaining balance of \$184,908.57 to be collected in monthly installments through December 1, 2022. The note receivable is to the General Fund. The long-term portion of notes receivable is offset with Nonspendable Fund Balance as it is not available to fund current obligations.

### 5. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

#### *Government-wide Financial Statements:*

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

#### *Fund Financial Statements:*

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

### 6. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the County.



## 7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2016 is as follows:

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 5,254,439.84	\$	\$ (35,559.75)	\$ 5,218,880.09
Construction in Progress	277,867.50	124,562.51	(277,867.50)	124,562.51
Total Capital Assets not being Depreciated	5,532,307.34	124,562.51	(313,427.25)	5,343,442.60
Capital Assets being Depreciated:				
Infrastructure (Improvements Other Than Buildings)	71,977,583.71	5,278,699.00	(1,487,894.00)	75,768,388.71
Buildings	75,818,812.63		(107,756.95)	75,711,055.68
Machinery and Equipment	15,437,428.18	972,489.96	(386,463.17)	16,023,454.97
Total Capital Assets being Depreciated	163,233,824.52	6,251,188.96	(1,982,114.12)	167,502,899.36
TOTAL CAPITAL ASSETS	\$ 168,766,131.86	\$ 6,375,751.47	\$ (2,295,541.37)	\$ 172,846,341.96
Less Accumulated Depreciation for:				
Infrastructure (Improvements Other Than Buildings)	\$ (31,544,590.68)	\$ (2,254,058.68)	\$ 1,487,894.00	\$ (32,310,755.36)
Buildings	(34,894,547.17)	(1,651,249.76)	12,752.29	(36,533,044.64)
Machinery and Equipment	(10,341,448.07)	(996,446.92)	485,747.46	(10,852,147.53)
Total Accumulated Depreciation	(76,780,585.92)	(4,901,755.36)	1,986,393.75	(79,695,947.53)
Total Capital Assets being Depreciated, Net	86,453,238.60	1,349,433.60	4,279.63	87,806,951.83
Governmental Activity Capital Assets, Net	\$ 91,985,545.94	\$ 1,473,996.11	\$ (309,147.62)	\$ 93,150,394.43

Depreciation expense was charged to functions as follows:

General Government	\$ 764,323.50
Public Safety	998,042.37
Public Works	2,683,338.70
Health and Welfare	211,760.91
Culture and Recreation	129,014.55
Urban and Economic Development	2,668.40
Depreciation Unallocated	116,761.33
Total Depreciation Expense-Governmental Activities	\$ 4,905,909.76

## 8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2016	Additions	Deletions	Ending Balance 12/31/2016	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds and Certificates Payable:					
Certificates of Participation	\$ 33,882,936.99	\$ 4,980,000.00	\$ 8,362,936.99	\$ 30,500,000.00	\$ 10,860,000.00
Tax Incremental Financing Notes	261,916.64		60,507.18	201,409.46	11,856.80
Financing (Capital Acquisition)					
Leases	16,400.00		4,100.00	12,300.00	4,100.00
Other Liabilities:					
Compensated Absences	3,265,661.46	3,038,352.03	2,900,137.48	3,403,876.01	2,900,137.48
Other Postemployment Benefits					
(Retiree Health Insurance)	473,378.01	29,115.15		502,493.16	
Net Pension Liability (SDRS)		5,308,735.39		5,308,735.39	
<b>Total Governmental Activities</b>	<b>\$ 37,900,293.10</b>	<b>\$ 13,356,202.57</b>	<b>\$ 11,327,681.65</b>	<b>\$ 39,928,814.02</b>	<b>\$ 13,776,094.28</b>

In 2016 the County issued Series 2016A Certificates of Participation in the amount of \$3,345,000.00 with an average interest rate of 1.61 percent to refund the following:

Date Issued	Projects	Average Interest Rate	Unpaid Principal at Time of Refunding
10/01/2005	Limited Tax General Obligation Certificates-Series 2005A	4.20%	\$ 1,305,000.00
10/03/2006	Limited Tax General Obligation Certificates-Series 2006	3.97%	\$ 960,000.00
12/01/2011	Certificates of Participation - Series 2011A	2.12%	\$ 1,065,000.00

The County also issued Series 2016B Certificates of Participation in the amount of \$1,635,000.00 with an average interest rate of 2.16 percent to refund the following:

Date Issued	Projects	Average Interest Rate	Unpaid Principal at Time of Refunding
10/01/2005	Limited Tax General Obligation Certificates-Series 2005C	4.29%	\$ 1,613,783.06

The proceeds of the 2016 refunding issues in the amount of \$4,959,920.89 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the County's Courthouse Building Fund records.

The County refunded the debt to reduce its total debt service payments over the next three years by \$266,350.89 and to obtain an economic gain of \$262,153.03.

In 2014 the County refunded the Limited Tax Obligation Bonds -Series 2007. The proceeds from this issuance were placed in an irrevocable trust with an escrow agent to provide debt service payments on the Limited Tax General Obligation Crossover Refunding Bonds - Series 2014A until December 1, 2017, at which time the refunded bonds will be paid off and the liability for those bonds will be removed from the County's records. On December 31, 2016, the County had \$7,700,635.76 on deposit with the escrow agent in this irrevocable trust to retire \$8,645,000.00 of bonds still outstanding.

Debt payable at December 31, 2016 is comprised of the following:

Certificates of Participation:

Limited Tax General Obligation – Series 2007A, 4.25 to 4.75 Percent Interest, Final Maturity Date of December 2017, Payment made from the Bond Redemption Fund (Debt Service Fund).	\$ 8,080,000.00
Taxable Limited Tax General Obligation – Series 2010A (Recovery Zone Economic Development Bonds), 1.50 to 5.75 Percent Interest, Final Maturity Date of December 2030, Payment made from the Bond Redemption Fund (Debt Service Fund).	\$ 2,330,000.00
Limited Tax General Obligation – Series 2013A, 2.00 to 2.125 Percent Interest, Final Maturity Date of December 2020, Payment made from the Building Fund (Special Revenue Fund).	\$ 7,575,000.00
Limited Tax General Obligation – Series 2014A, 2.30 to 5.00 Percent Interest, Final Maturity Date of November 2027, Payment made from the Bond Redemption Fund (Debt Service Fund).	\$ 7,535,000.00
Limited Tax General Obligation – Series 2016A, .90 to 2.00 Percent Interest, Final Maturity Date of December 2020, Payment made from the Building Fund (Special Revenue Fund).	\$ 3,345,000.00
Limited Tax General Obligation – Series 2016B, 1.25 to 2.75 Percent Interest, Final Maturity Date of December 2025, Retired by the Building Fund (Special Revenue Fund).	\$ 1,635,000.00

Tax Increment Financing Notes:

Tax Increment Financing Notes – South Dakota Network (SDN), 6.00 Percent Interest, Final Maturity Date of December 2030, Payment made from the Tax Incremental District #2 Fund (Debt Service Fund).	\$ 201,409.46
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Financing (Capital Acquisition) Lease:

Capital Lease – Computer Hardware – 0 Percent Interest, Final Maturity Date of January 2019, Retired by the General Fund	\$ 12,300.00
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The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 24,600.00
Interest	0.00
Total	<u>\$ 24,600.00</u>



The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the estimated useful-life of the asset.

Other Liabilities:

Compensated Absences - Amount owed by the County to employees for their accrued annual and sick leave balances, including the County's share of payroll deductions. Payments to be made by the fund that the payroll expenditures are charged to. \$ 3,403,876.00

Other Postemployment Benefits (See Note 14) \$ 502,493.16

Net Pension Liability (SDRS) (See Note 13) \$ 5,308,735.39

The annual requirements to amortize all debt outstanding as of December 31, 2016, except for compensated absences, other post-employment benefits and net pension liability are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2016

Year Ending Dec. 31,	Tax Incremental Revenue Bonds		Certificates of Participation		Financing (Capital Acquisition) Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 11,856.80	\$ 14,869.20	\$ 10,860,000.00	\$ 985,895.61	\$ 4,100.00	\$	\$ 10,875,956.80	\$ 1,000,764.81
2018	12,578.87	14,147.13	3,700,000.00	574,673.43	4,100.00		3,716,678.87	588,820.56
2019	13,344.93	13,381.07	3,780,000.00	492,823.76	4,100.00		3,797,444.93	506,204.83
2020	14,157.63	12,568.37	3,865,000.00	401,773.76			3,879,157.63	414,342.13
2021	15,019.83	11,706.17	1,070,000.00	305,330.00			1,085,019.83	317,036.17
2022-2026	89,986.04	43,643.96	5,600,000.00	987,482.50			5,689,986.04	1,031,126.46
2027-2031	44,465.36	9,318.46	1,625,000.00	145,200.00			1,669,465.36	154,518.46
TOTAL	\$ 201,409.46	\$ 119,634.36	\$ 30,500,000.00	\$ 3,893,179.06	\$ 12,300.00	\$ 0.00	\$ 30,713,709.46	\$ 4,012,813.42

9. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, there were five series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$36,610,510.00.

# 10. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2016, was as follows:

## **Major Purposes:**

Road and Bridge Purposes	\$ 7,007,929.46
Courthouse Building Purposes	4,213,142.44
Bond Redemption Purposes	8,346,066.17
SDRS Pension Purposes	<u>6,583,965.47</u>

## **Other Purposes:**

Insurance Reserve Purposes (General Fund)	343,399.39
Fire Protection Purposes	77,377.07
Public Library Purposes	420,878.21
Domestic Abuse Purposes	19,223.04
24/7 Program Purposes	380,895.59
Modernization and Preservation Relief Purposes	165,102.36
Pass-Thru Grant Purposes	1,614.60
Emergency Food and Shelter Program Purposes	37,835.83
TIF #2 Purposes	2.82
Self-Insurance Purposes	<u>2,833,988.33</u>

Total Other Purposes	<u>4,280,317.24</u>
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<b>Total Restricted Net Position</b>	<b><u>\$ 30,431,420.78</u></b>
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These balances are restricted due to federal grant and statutory requirements.

# 11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2016, were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>	
	Other	Governmental
		Funds
Major Funds:		
General Fund	\$ 214,773.00	
Other Governmental Funds:		
Museum Store Fund	<u>7,000.00</u>	
Total	<u>\$ 221,773.00</u>	

The County typically budgets transfers to the Emergency Management Fund (Other Governmental Funds) to conduct the indispensable functions of the County. The County budgeted a transfer from the Museum Store Fund to the Museum Enterprise Fund (Other Governmental Funds).

## 12. TAX ABATEMENTS

### Minnehaha County:

In 2010, the County created the Minnehaha County Tax Increment District No. 2 under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the County through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

In 2010, the County entered into a development agreement with SDN Communications. The County agreed to abate a portion of the Telephone Outside Tax and award the increment proceeds to the developer as a discretionary grant to assist in funding the costs of the project.

The amount of general property taxes collected from the tax increment district that were not available to Minnehaha County, during the calendar year ended December 31, 2016 was \$75,418.00.

### Municipality of Sioux Falls:

The Municipality of Sioux Falls has created tax increment districts under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Sioux Falls has eleven (11) active tax increment districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Minnehaha County during the life of the tax increment district.

The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2016 that was not available to Minnehaha County was \$378,856.00.

### Municipality of Brandon:

The Municipality of Brandon has created tax increment districts under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay



for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Brandon has two (2) active tax increment districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Minnehaha County during the life of the tax increment district.

The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2016 that was not available to Minnehaha County was \$25,678.00.

Municipality of Dell Rapids:

The Municipality of Dell Rapids has created a tax increment district under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Dell Rapids has one (1) active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Minnehaha County during the life of the tax increment district.

The portion of general property taxes levied for this tax increment district during the calendar year ended December 31, 2016 that was not available to Minnehaha County was \$1,471.00.

13. PENSION PLAN

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as

retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the calendar years ended December 31, 2016, 2015, and 2014, equal to the required contributions each year, were as follows:

Year	Amount
2016	\$ 1,819,031.12
2015	\$ 1,756,272.16
2014	\$ 1,700,748.46

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2016, SDRS is 96.89% funded and accordingly has a net pension liability. The proportionate share of the components of the net pension liability of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2016 and reported by the County as of December 31, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 170,539,084.17
Less proportionate share of total pension liability	<u>165,230,348.78</u>
Proportionate share of net pension liability (asset)	<u>\$ 5,308,735.39</u>

At December 31, 2016, the County reported a liability of \$ 5,308,735.39 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the County's proportion was 1.5716074%, which is an increase decrease of .0077096% from its proportion measured as of June 30, 2015.



For the year ended December 31, 2016, the County recognized pension expense of \$3,740,407.33. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 1,848,088.47	\$
Changes in assumption	3,179,680.92	
Net Difference between projected and actual earnings on pension plan investments	5,905,108.05	
Changes in proportion and difference between County contributions and proportionate share of contributions	54,227.34	
County contributions subsequent to the measurement date	905,596.08	
<b>TOTAL</b>	<b>\$ 11,892,700.86</b>	<b>\$ 0.00</b>

\$905,596.08 reported as deferred outflow of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended Dec. 31,	
2017	\$ 2,969,009.27
2018	1,803,445.86
2019	3,752,198.61
2020	2,462,451.05
<b>TOTAL</b>	<b>\$ 10,987,104.79</b>

**Actuarial Assumptions:**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.



Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	100%	

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the County's proportionate share of net pension liability calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability (asset)	\$ 29,707,612.61	\$ 5,308,735.39	\$ (14,951,169.29)

**Pension Plan Fiduciary Net Position:**

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

#### 14. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN

*Plan Description.* The Minnehaha County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by the County. The Minnehaha County Health Care Trust Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16. Benefit provisions were established and may be amended by the governing board. The health plan does not issue separately stated stand-alone financial statements.

*Funding Policy.* The contribution requirements of plan members and the County are established and may be amended by the governing board. A benefited employee who retires from the County on or after the age of 45 and with at least 15 years of consecutive service with the County and has 5 years of plan participation immediately preceding retirement may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 102% of the full active premium rates for either single or family coverage.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

Annual Required Contribution (ARC)	\$ 49,864.00
Interest on net OPEB obligation	22,328.00
Adjustment to annual required contribution	(29,050.00)
Annual OPEB Cost	43,142.00
Contributions made	(14,026.85)
Increase (Decrease) in net OPEB obligation	29,115.15
Net OPEB obligation – beginning of year	473,378.01
Net OPEB obligation – end of year	\$ 502,493.16

The County's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/14	\$ 43,142.00	\$ 31,160.90	72.23%	\$ 483,355.74
12/31/15	\$ 43,142.00	\$ 53,119.74	123.17%	\$ 473,378.01
12/31/16	\$ 43,142.00	\$ 14,026.85	32.51%	\$ 502,493.16

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-



term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013, the most recent actuarial valuation date, the projected unit credit method was used. The actuarial assumptions included a 5% rate of return and an annual healthcare cost trend rate of 5.5% for 2014 reduced by .5% decrements to an ultimate rate of 5% for year 2015 and thereafter. Both rates include a 3% percent inflation assumption. The UAAL is being amortized at a level dollar amount on an open basis over a period of 30 years.

#### 15. JOINT VENTURES

Metro Communications Agency was jointly formed by Minnehaha County and the City of Sioux Falls in 1980. In 2007, the County and the City entered into a subsequent joint cooperative agreement changing the composition and structure of Metro Communications to an administrative agency with its own standing, separate and apart from the governmental organizations of either the County or the City, effective on January 1, 2008.

The agency is governed by a five member Council which includes two County Commissioners, the Mayor and two members of the City Council appointed by the Mayor. The agency is responsible for county-wide public safety dispatch, maintenance of centralized dispatch records and the maintenance and purchasing of related communications equipment. Complete financial statements are available at the administrative offices located at 500 North Dakota Avenue in Sioux Falls, South Dakota.

#### 16. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2016, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

#### 17. SUBSEQUENT EVENTS

On November 22, 2016, the County Commission signed a resolution to issue certificates of participation in the amount of \$46,000,000 for the replacement of the Community's Correction Center and County Jail expansion. As of December 31, 2016, the certificates of participation have not been issued. The County intends to issue the certificates and begin construction in 2017.

#### 18. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2016, the County managed its risks as follows:

##### Employee Health Insurance:

The County is self-insured for employee health insurance.

Minnehaha County purchases catastrophic coverage for employee's health insurance to minimize their exposure to risks of loss to the self-insurance program. The County purchased two types of insurance. The first is aggregate excess liability insurance. The first is aggregate excess liability



insurance. This insurance will pay 100% of all claims in excess of a pre-determined dollar amount for a claim year. The insurance company, applying an insurance industry formula based upon previous years' annual claims and group size, determines the dollar amount of aggregate claims. In 2016, the minimum aggregate deductible was the greater of: \$4,514,723 or 100% of the monthly aggregate deductible for the first month of the policy year then multiplied by 12. The insurance company (not the self-insurance program) would pay 100% of all program eligible claim expenses in excess of that amount in 2016. The other form of insurance carried by the county on the self-insurance program covers individual cases. The insurance sets a \$100,000 yearly deductible on individual cases. Any individual's eligible claim expenses exceeding \$100,000 will be paid 100% by the insurance company. The insurance company sets an unlimited maximum lifetime coverage amount on individuals. Based on the 2016 insurance agreement and a review of the previous agreement, the county's self-insurance program has not had any significant reductions in insurance coverage from previous years to the current year.

Minimum Aggregate Amount:

In 2016, the self-insurance program's total yearly claim expenses did not exceed the minimum aggregate deductible established by the insurance company. Additionally, the County's self-insurance program's total yearly claims have not exceeded the minimum aggregate deductible amount set by the insurance company for the previous ten years (2005 through 2016).

Individual Claim Amount:

In 2016, the insurance company set a \$100,000 yearly deductible level on individual cases. In 2016, the program had two individuals with claim expenses that exceeded the individual claim level amount. In 2015, the program had four individuals with claim expenses that exceeded the individual claim level amount, and in 2014, the program had one individual with claim expenses that exceeded the individual claim level amount. The County has net position in the Self-Insurance Fund in the amount of \$2,833,988.33 for the payment of future claims.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

- a. General Liability,
- b. Automotive Liability,
- c. Officials Liability, and
- d. Law Enforcement Liability

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2016, the County has vested balance in the cumulative reserve fund of \$343,399.39.

The County carries a \$5,000 deductible for the general and law enforcement liabilities, \$2,500 deductible for officials liability (other than Employment Related Claims), \$5,000 deductible for the officials liability (Employment Related Claims), and a \$0 deductible for the automotive liability coverage.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$900,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

#### Unemployment Benefits:

The County has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2016, six claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$18,746.98. At December 31, 2016, no claims had been filed and were outstanding.



REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	\$ 37,400,462.00	\$ 37,400,462.00	\$ 36,995,498.51	\$ (404,963.49)
General Property Taxes--Delinquent	400,000.00	400,000.00	370,174.26	(29,825.74)
Penalties and Interest	75,000.00	75,000.00	74,036.92	(963.08)
Telephone Tax (Outside)	5,000.00	5,000.00	8,782.64	3,782.64
Mobile Home Tax	20,000.00	20,000.00	14,155.63	(5,844.37)
Tax Deed Revenue	4,000.00	4,000.00	0.00	(4,000.00)
Other Taxes	22,000.00	22,000.00	16,124.65	(5,875.35)
Licenses and Permits	305,625.00	305,625.00	404,532.50	98,907.50
Intergovernmental Revenue:				
Federal Grants	222,868.00	222,868.00	373,351.52	150,483.52
Federal Shared Revenue	758,850.00	758,850.00	754,602.42	(4,247.58)
Federal Payments in Lieu of Taxes	9,500.00	9,500.00	10,024.91	524.91
State Grants	0.00	0.00	3,239.00	3,239.00
State Shared Revenue:				
Bank Franchise	900,000.00	900,000.00	1,350,058.85	450,058.85
Court Appointed Attorney/Public Defender	220,000.00	220,000.00	180,435.08	(39,564.92)
Abused and Neglected Child Defense	0.00	0.00	49,353.80	49,353.80
Telecommunications Gross Receipts Tax	910,000.00	910,000.00	786,781.70	(123,218.30)
Motor Vehicle 1/4%	40,000.00	40,000.00	44,814.58	4,814.58
Liquor Tax Reversion (25%)	0.00	0.00	340,841.39	340,841.39
Other Payments in Lieu of Taxes	2,100.00	2,100.00	1,619.04	(480.96)
Other Intergovernmental Revenue:				
Museum Operations (City Share)	562,062.00	562,062.00	562,061.00	(1.00)
Health and Human Service Operations (City Share)	300,000.00	300,000.00	266,642.05	(33,357.95)
Other Intergovernmental Revenue	230,000.00	230,000.00	227,815.63	(2,184.37)
Tea-Ellis Shooting Range	0.00	0.00	6,000.00	6,000.00
Human Resources Consulting	58,000.00	58,000.00	59,475.25	1,475.25
Juvenile Delinquency Center Physicals	1,000.00	1,000.00	2,533.22	1,533.22
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	395,550.00	395,550.00	566,593.27	171,043.27
Register of Deeds' Fees	1,933,400.00	1,933,400.00	2,100,297.50	166,897.50
Legal Services	664,500.00	664,500.00	706,261.31	41,761.31
Clerk of Courts Fees	240,000.00	240,000.00	234,259.15	(5,740.85)
Other Fees	61,241.00	61,241.00	85,032.63	23,791.63
Public Safety:				
Law Enforcement	1,411,986.00	1,411,986.00	1,428,401.95	16,415.95
Prisoner Care	1,863,500.00	1,863,500.00	2,730,988.99	867,488.99
Other	300.00	300.00	234.16	(65.84)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	231,800.00	231,800.00	331,054.42	99,254.42
Veterans Service Officer	4,700.00	4,700.00	4,687.50	(12.50)
Mental Health Services	11,000.00	11,000.00	31,867.05	20,867.05
Urban and Economic Development	68,100.00	68,100.00	81,045.89	12,945.89
Fines and Forfeits:				
Fines	28,000.00	28,000.00	20,992.19	(7,007.81)
Costs	150,000.00	150,000.00	142,563.21	(7,436.79)
Forfeits	250,000.00	250,000.00	197,677.83	(52,322.17)
Other	1,000.00	1,000.00	1,015.00	15.00



REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended December 31, 2016  
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Miscellaneous Revenue:				
Investment Earnings	40,000.00	40,000.00	28,325.43	(11,674.57)
Rent	56,250.00	56,250.00	56,224.40	(25.60)
Special Assessments	0.00	0.00	3,265.98	3,265.98
Contributions and Donations	0.00	0.00	6,651.33	6,651.33
Refund of Prior Year's Expenditures	40,000.00	40,000.00	33,074.20	(6,925.80)
Other	252,600.00	252,600.00	337,670.46	85,070.46
Total Revenues	50,150,394.00	50,150,394.00	52,031,138.40	1,880,744.40
<b>Expenditures:</b>				
General Government:				
Legislative:				
Board of County Commissioners	661,920.00	712,030.80	694,425.93	17,604.87
Contingency	25,000.00	25,000.00		
Amount Transferred		0.00		25,000.00
Elections	343,393.00	474,393.00	512,497.01	(38,104.01)
Judicial System	1,184,000.00	1,837,160.00	1,816,459.44	20,700.56
Financial Administration:				
Auditor	777,783.00	777,783.00	722,442.57	55,340.43
Treasurer	1,431,382.00	1,431,382.00	1,334,058.35	97,323.65
Legal Services:				
State's Attorney	3,948,631.00	3,948,762.06	3,847,307.53	101,454.53
Public Defender	2,848,193.00	2,848,503.64	2,665,754.86	182,748.78
Court Appointed Attorney	819,089.00	819,089.00	797,371.50	21,717.50
Other Administration:				
General Government Building	2,493,938.00	2,494,330.15	2,424,059.56	70,270.59
Director of Equalization	1,489,441.00	1,490,534.73	1,351,479.18	139,055.55
Register of Deeds	803,675.00	803,675.00	776,111.30	27,563.70
Predatory Animal	5,067.00	5,067.00	5,066.38	0.62
Self-Insurance Plan	262,500.00	262,500.00	169,403.12	93,096.88
Other (S.E.C.O.G.)	24,327.00	24,327.00	24,327.00	0.00
Information Technology	1,890,471.00	1,890,471.00	1,759,839.14	130,631.86
Human Resources	420,990.00	420,990.00	392,152.08	28,837.92
Public Safety:				
Law Enforcement:				
Sheriff	5,869,247.00	6,011,160.01	5,617,448.56	393,711.45
County Jail	12,950,828.00	13,155,514.27	12,647,291.43	508,222.84
Coroner	331,579.00	336,579.00	336,538.97	40.03
Juvenile Detention	3,483,145.00	3,658,372.60	3,459,712.96	198,659.64
Air Guard	779,591.00	819,591.00	806,791.30	12,799.70
Humane Society	47,000.00	47,000.00	45,020.33	1,979.67
Southeast Technical Institute Security	153,560.00	155,004.24	117,503.50	37,500.74
Involuntary Commitment Housing	111,330.00	111,330.00	111,330.00	0.00
Protective and Emergency Services:				
Communication Center	314,156.00	314,156.00	314,156.00	0.00
Health and Welfare:				
Economic Assistance:				
Support of Poor	3,378,937.00	3,600,466.79	3,443,237.97	157,228.82
Health Assistance:				
Ambulance	180,000.00	180,000.00	180,000.00	0.00
Social Services:				
Inter-Lakes Community Action	2,000.00	2,000.00	2,000.00	0.00
Compass Center	35,000.00	35,000.00	35,000.00	0.00

REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended December 31, 2016  
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Safe Home	681,127.00	687,596.39	655,317.77	32,278.62
Children's Inn	89,250.00	89,250.00	89,250.00	0.00
Helpline Center	4,000.00	4,000.00	4,000.00	0.00
Mental Health Services:				
Mentally Ill	1,116,300.00	1,116,300.00	1,002,582.84	113,717.16
Developmentally Disabled	5,000.00	5,000.00	5,000.00	0.00
Mental Health Centers	174,468.00	174,468.00	174,468.00	0.00
Culture and Recreation:				
Culture:				
Historical Museum	1,141,813.00	1,152,741.55	1,117,838.76	34,902.79
Memorial Day Expense	2,600.00	3,262.90	1,666.54	1,596.36
Recreation:				
Parks	83,652.00	83,652.00	63,317.17	20,334.83
County Fair	150,000.00	150,000.00	150,000.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	93,700.00	93,700.00	86,850.42	6,849.58
Soil Conservation Districts	2,000.00	2,000.00	2,000.00	0.00
Agri-Business	2,500.00	2,500.00	2,500.00	0.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	621,325.00	648,017.00	606,951.61	41,065.39
Economic Development:				
Sioux Falls Development Foundation	500.00	500.00	500.00	0.00
Forward Sioux Falls	2,000.00	2,000.00	2,000.00	0.00
Minnehaha County Economic Development Association	5,500.00	5,500.00	5,500.00	0.00
Debt Service	0.00	0.00	4,100.00	(4,100.00)
Total Expenditures	51,241,908.00	52,912,660.13	50,382,629.08	2,530,031.05
Excess of Revenues Over (Under) Expenditures	(1,091,514.00)	(2,762,266.13)	1,648,509.32	4,410,775.45
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(214,773.00)	(214,773.00)	(214,773.00)	0.00
Insurance Proceeds	0.00	0.00	36,492.62	36,492.62
Sale of County Property	40,000.00	40,000.00	15,617.80	(24,382.20)
Total Other Financing Sources (Uses)	(174,773.00)	(174,773.00)	(162,662.58)	12,110.42
Net Change in Fund Balance	(1,266,287.00)	(2,937,039.13)	1,485,846.74	4,422,885.87
Fund Balance - Beginning	11,434,050.87	11,434,050.87	11,434,050.87	0.00
Adjustments:				
Bank Franchise Tax Accrual 2015	0.00	0.00	617,336.71	617,336.71
Adjusted Fund Balance - Beginning	11,434,050.87	11,434,050.87	12,051,387.58	617,336.71
FUND BALANCE - ENDING	\$ 10,167,763.87	\$ 8,497,011.74	\$ 13,537,234.32	\$ 5,040,222.58

REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
ROAD AND BRIDGE FUND  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Wheel Tax	\$ 3,300,000.00	\$ 3,300,000.00	\$ 3,426,521.49	\$ 126,521.49
Licenses and Permits	20,000.00	20,000.00	46,997.55	26,997.55
Intergovernmental Revenue:				
Federal Grants	2,100,000.00	2,100,000.00	109,654.70	(1,990,345.30)
State Grants	1,128,484.00	1,128,484.00	720,236.06	(408,247.94)
State Shared Revenue:				
Motor Vehicle Licenses	9,432,000.00	9,432,000.00	8,146,565.08	(1,285,434.92)
Prorate License Fees	400,000.00	400,000.00	412,127.74	12,127.74
63 3/4% Mobile Home/Manufactured Home	5,000.00	5,000.00	25,863.77	20,863.77
Motor Fuel Tax	45,000.00	45,000.00	43,324.48	(1,675.52)
Charges for Goods and Services:				
Public Works:				
Road Maintenance Contract Charges	10,000.00	10,000.00	28,005.03	18,005.03
Miscellaneous Revenue:				
Investment Earnings	10,000.00	10,000.00	15,614.98	5,614.98
Other	15,000.00	15,000.00	16,967.69	1,967.69
Total Revenues	16,465,484.00	16,465,484.00	12,991,878.57	(3,473,605.43)
<b>Expenditures:</b>				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	17,471,128.00	18,537,204.04	16,251,710.97	2,285,493.07
Intergovernmental Expenditures	330,000.00	342,000.00	341,262.84	737.16
Total Expenditures	17,801,128.00	18,879,204.04	16,592,973.81	2,286,230.23
Excess of Revenues Over (Under) Expenditures	(1,335,644.00)	(2,413,720.04)	(3,601,095.24)	(1,187,375.20)
<b>Other Financing Sources (Uses):</b>				
Sale of County Property	10,000.00	10,000.00	14,641.75	4,641.75
Net Change in Fund Balance	(1,325,644.00)	(2,403,720.04)	(3,586,453.49)	(1,182,733.45)
Changes in Nonspendable	0.00	0.00	26,103.42	26,103.42
Fund Balance - Beginning	10,851,895.79	10,851,895.79	10,851,895.79	0.00
FUND BALANCE - ENDING	\$ 9,526,251.79	\$ 8,448,175.75	\$ 7,291,545.72	\$ (1,156,630.03)



REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
COURTHOUSE BUILDING FUND  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes--Current	\$ 3,912,107.00	\$ 3,912,107.00	\$ 3,870,076.29	\$ (42,030.71)
General Property Taxes--Delinquent	45,700.00	45,700.00	40,327.13	(5,372.87)
Penalties and Interest	8,000.00	8,000.00	7,852.34	(147.66)
Mobile Home Tax	1,500.00	1,500.00	1,480.42	(19.58)
Tax Deed Revenue	100.00	100.00	0.00	(100.00)
Intergovernmental Revenue:				
Federal Grants	5,000.00	5,000.00	0.00	(5,000.00)
Federal Payments in Lieu of Taxes	1,000.00	1,000.00	1,048.69	48.69
Other Payments in Lieu of Taxes	250.00	250.00	169.37	(80.63)
Miscellaneous Revenue:				
Investment Earnings	4,000.00	4,000.00	6,232.92	2,232.92
Contributions and Donations	0.00	0.00	75,000.00	75,000.00
<b>Total Revenues</b>	<b>3,977,657.00</b>	<b>3,977,657.00</b>	<b>4,002,187.16</b>	<b>24,530.16</b>
<b>Expenditures:</b>				
General Government:				
Financial Administration:				
Other	888,550.00	1,648,683.85	954,003.01	694,680.84
Debt Service	3,140,449.00	3,140,449.00	3,226,041.52	(85,592.52)
<b>Total Expenditures</b>	<b>4,028,999.00</b>	<b>4,789,132.85</b>	<b>4,180,044.53</b>	<b>609,088.32</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(51,342.00)</b>	<b>(811,475.85)</b>	<b>(177,857.37)</b>	<b>633,618.48</b>
<b>Other Financing Sources (Uses):</b>				
Insurance Proceeds	0.00	0.00	86,084.41	86,084.41
Sale of County Property	0.00	0.00	1,429,265.76	1,429,265.76
Proceeds of Certificates Issued	0.00	0.00	4,980,000.00	4,980,000.00
Premiums on Refunding Certificates	0.00	0.00	81,213.05	81,213.05
Payments to Refunded Debt Escrow Agent	0.00	0.00	(4,959,920.89)	(4,959,920.89)
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>1,616,642.33</b>	<b>1,616,642.33</b>
<b>Net Change in Fund Balance</b>	<b>(51,342.00)</b>	<b>(811,475.85)</b>	<b>1,438,784.96</b>	<b>2,250,260.81</b>
<b>Fund Balance - Beginning</b>	<b>2,708,356.54</b>	<b>2,708,356.54</b>	<b>2,708,356.54</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 2,657,014.54</b>	<b>\$ 1,896,880.69</b>	<b>\$ 4,147,141.50</b>	<b>\$ 2,250,260.81</b>

MINNEHAHA COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County Commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues, and expenditures.
2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.
3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.
4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.
5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new sheriff's patrol car would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a new sheriff's patrol car would be reported as an expenditure of the Public Safety/Law Enforcement function of government, along with all other current Law Enforcement Department related expenditures.

REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (Insert Cost Method) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
December 31, 2008	\$	\$ 740,601.00	\$ 740,601.00	0.00%	\$ 21,409,624.00	3.50%
December 31, 2013	\$	\$ 460,911.00	\$ 460,911.00	0.00%	\$ 23,764,574.00	1.90%



**REQUIRED SUPPLEMENTARY INFORMATION  
MINNEHAHA COUNTY  
SCHEDULE OF THE COUNTY CONTRIBUTIONS**

**South Dakota Retirement System**

\*Last 10 Calendar Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,819,031.12	\$ 1,756,272.16	\$ 1,700,748.46
Contributions in relation to the contractually required contribution	<u>1,819,031.12</u>	<u>1,756,272.16</u>	<u>1,700,748.46</u>
Contribution deficiency (excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
County's covered-employee payroll	\$ 27,249,217.41	\$ 26,252,625.88	\$ 25,367,446.47
Contributions as a percentage of covered-employee payroll	6.68%	6.69%	6.70%

\* Until a full 10-year trend is compiled, the County will present information for those years for which information is available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MINNEHAHA COUNTY**  
**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**South Dakota Retirement System**

\*Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	1.5716074%	1.5793170%	1.5904961%
County's proportionate share of net pension liability (asset)	\$ 5,038,735.39	\$ (6,698,334.67)	\$ (11,458,873.95)
County's covered-employee payroll	\$ (26,806,067.25)	\$ 25,846,471.45	\$ 24,892,876.61
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.80%	-25.92%	-46.03%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	104.1%	107.3%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the County will present information for those years for which information is available.

MINNEHAHA COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Contributions

**Changes of benefit terms:**

No significant changes.

**Changes of assumptions:**

No significant changes.



MINNEHAHA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2016
Child Nutrition Cluster:				
US Department of Agriculture Pass-Through Programs:				
SD Department of Education,				
Cash Assistance:				
School Breakfast Program	10.553		\$	\$ 14,998.50
National School Lunch Program	10.555			26,219.05
<b>Total Child Nutrition Cluster - US Department of Agriculture</b>			<b>0.00</b>	<b>41,217.55</b>
US Department of Housing and Urban Development - Pass-Through Programs:				
SD Governor's Office of Economic Development,				
Community Development Block Grant	14.228	1112-302	15,980.00	15,980.00
<b>Total US Department of Housing and Urban Development</b>			<b>15,980.00</b>	<b>15,980.00</b>
US Department of Interior - Direct Programs:				
Distribution of Receipts to State and Local Governments (Note 3)	15.227		23,996.96	36,968.00
<b>Total US Department of Interior</b>			<b>23,996.96</b>	<b>36,968.00</b>
US Department of Justice - Direct Programs:				
State Criminal Alien Assistance Program	16.606			30,339.71
<b>Subtotal US Department of Justice - Direct Programs</b>			<b>0.00</b>	<b>30,339.71</b>
US Department of Justice - Pass-Through Programs:				
SD Department of Corrections,				
Juvenile Accountability Block Grants (Note 3)	16.523	2013-JB-FX-0030	9,881.34	9,881.34
SD Network Against Family Violence and Sexual Assault,				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590			39,295.69
City of Sioux Falls,				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			26,126.55
<b>Subtotal US Department of Justice - Pass-Through Programs</b>			<b>9,881.34</b>	<b>75,303.58</b>
<b>Total US Department of Justice</b>			<b>9,881.34</b>	<b>105,643.29</b>
Highway Planning and Construction Cluster:				
US Department of Transportation - Pass-Through Programs:				
SD Department of Public Safety--Highway Safety,				
Highway Planning and Construction	20.205			54,434.13
<b>Subtotal US Department of Transportation - Highway Planning and Construction Cluster</b>			<b>0.00</b>	<b>54,434.13</b>
Highway Safety Cluster:				
US Department of Transportation - Pass-Through Programs:				
SD Department of Public Safety--Highway Safety,				
State and Community Highway Safety	20.600			11,348.24
Alcohol Open Container Requirements	20.607			2,287.36
<b>Subtotal US Department of Transportation - Highway Safety Cluster</b>			<b>0.00</b>	<b>13,635.60</b>
Other Programs:				
US Department of Transportation - Pass-Through Programs:				
SD Department of Public Safety--Impaired Driving Prosecutor,				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Note 4)	20.608	2016-00-61		171,603.08
<b>Total US Department of Transportation</b>			<b>0.00</b>	<b>239,672.81</b>
US Department of Health and Human Services - Pass-Through Programs:				
SD Department of Health,				
Hospital Preparedness Program (HPP) and Public Health Emergency				
Preparedness (PHEP) Aligned Cooperative Agreements	93.074	16EBA02		161.10
National Bioterrorism Hospital Preparedness Program	93.889		81,920.64	105,311.94
SD Department of Social Services,				
Promoting Safe and Stable Families	93.556	13-0842-201		80,535.75
SD Secretary of State,				
Voting Access for Individuals with Disabilities - Grants to States	93.617		2,900.00	2,900.00
<b>Total US Department of Health and Human Services</b>			<b>84,820.64</b>	<b>188,908.79</b>
US Executive Office of the President - Pass Through Programs:				
SD Attorney General's Office,				
High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	I13PMWP569D / I14PMWP569D		65,888.06
<b>Total US Executive Office of the President</b>			<b>0.00</b>	<b>65,888.06</b>

MINNEHAHA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016  
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures 2016
US Department of Homeland Security - Pass-Through Programs:				
SD Department of Public Safety--Office of Emergency Management, Emergency Management Performance Grants (Note 4)	97.042	EMD-2016-EP-00001		173,597.56
Homeland Security Grant Program	97.067		289,243.86	709,644.33
Subtotal US Department of Homeland Security - Pass-Through Programs			289,243.86	883,241.89
Total US Department of Homeland Security			289,243.86	883,241.89
GRAND TOTAL			\$ 423,922.80	\$ 1,577,520.39

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Reimbursement**

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**Note 4: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.

**Note 5: Federal Surplus Property**

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

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**APPENDIX D –  
FORM OF BOND COUNSEL OPINION**

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**\$43,255,000 Limited Tax General Obligation  
Certificates of Participation, Series 2017A**

**Evidencing Undivided Interests in Lease Payments to Be Made by the  
Minnehaha County, South Dakota  
Pursuant to a Lease-Purchase Agreement with  
U.S. Bank National Association**

We have acted as Bond Counsel in connection with the issuance of the obligations described above, dated, as originally issued, December 28, 2017 (the "Certificates"), pursuant to the Seventeenth Supplemental Declaration of Trust, dated as of December 1, 2017 (the "Trust Agreement") by U.S. Bank National Association, as trustee (the "Trustee") and joined in by Minnehaha County, South Dakota (the "County"), for the purpose of providing funds to finance the construction and equipping of an expanded jail including replacement of the existing community corrections center, jail intake area and related parking.

For purposes of rendering this opinion, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the County and the Trustee, including the following:

- (i) the Trust Agreement;
- (ii) the Seventeenth Amendment to Lease-Purchase Agreement, dated as of December 1, 2017 (the "Lease"), between the Trustee and the County;
- (iii) the Resolution adopted by the County Board on November 22, 2016 (the "Resolution") authorizing the execution and delivery of the Lease, and approving the Trust Agreement and the issuance of the Certificates;
- (iv) such other documents as we have deemed relevant and necessary as a basis for the opinions set forth herein, including the form of the Certificates.

As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Trust Agreement and the Lease have been duly authorized, executed and delivered by the parties thereto and constitute valid and legally binding agreements of the parties thereto enforceable in accordance with the terms thereof, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.



2. The Certificates evidence proportionate interests in the right to receive Lease Payments (as defined in the Lease) and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings, and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement and by a leasehold mortgage on certain property described in the Trust Agreement.

3. By the Resolution, the County has covenanted and agreed to include in its annual budget, for each fiscal year during the term of the Lease, moneys sufficient to pay the Lease Payments and other amounts payable under the Lease, and to take all actions necessary to provide moneys for payment of its obligations under the Lease, including the levy of ad valorem taxes therefor, subject only to the limitations on such levies imposed by South Dakota law.

4. The interest component of the Lease Payments to be received by the Owners of the Certificates: (a) is not includable in gross income for federal income tax purposes; (b) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations; and (c) is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

5. The interest component of the Lease Payments to be received by the Owners of the Certificates is includable in gross income for purposes of federal and State of South Dakota purposes.

The opinions expressed in paragraphs 1 through 3 above, are subject to the effect of any state or federal laws relating to the bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion.

The opinions expressed in paragraph 4 above are subject to the condition of compliance by the County with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes and that the Lease and the Certificates be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Failure to do so could result in the inclusion of the interest component of the Lease Payments to be received by the Owners of the Certificates in gross income for federal income tax purposes, retroactive to the date of issuance of the Certificates. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to Owners of the Certificates.

Dated this 28th day of December, 2017.

LINDQUIST & VENNUM LLP

## APPENDIX E – BOOK-ENTRY-ONLY SYSTEM

*The following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The County and the Municipal Advisor make no representation as to the accuracy of such information.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for the Certificates, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry-only system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their



registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates: DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Certificates within a Series maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in the "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered.

**NEITHER THE COUNTY NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF**



**NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE CERTIFICATES. THE COUNTY CANNOT AND DOES NOT GIVEN ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE CERTIFICATES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.**

The Book-Entry Agreement may be terminated by either the County or DTC. In the event of such a termination, if no substitute Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Certificates shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as Nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Portions of the foregoing concerning DTC and DTC's Book-Entry System are based on information furnished by DTC to the County. No representation is made herein by the County or the Municipal Advisor as to the accuracy or completeness of such information.

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**APPENDIX F –  
CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of December 1, 2017 (this “Agreement”), between MINNEHAHA COUNTY, SOUTH DAKOTA, a political subdivision organized and existing under the Constitution and laws of the State of South Dakota (together with any successor to its functions hereunder, the “Issuer”); and DOUGHERTY & COMPANY, LLC, in Sioux Falls, South Dakota (the “Agent”).

WITNESSETH:

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Issuer is issuing its \$43,255,000 Limited Tax General Obligation Certificates of Participation, Series 2017A, dated December 28, 2017 (the “Certificates”) pursuant to a resolution adopted by the governing body of the Issuer on November 22, 2016 (the “Resolution”) and Seventeenth Supplemental Declaration of Trust, dated as of December 1, 2017 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee; and

WHEREAS, to provide for the public availability of certain information relating to the Certificates and the security therefor and to permit underwriters of the Certificates to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (the “Rule”), which will enhance the marketability of the Certificates, the Issuer desires to enter into this Agreement; and

WHEREAS, the Agent is willing to act as the agent of the Issuer for the purposes and on the terms and conditions hereinafter stated.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto DO HEREBY AGREE as follows:

Section 1. Definitions and Exhibit. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Indenture, unless the context hereof clearly requires otherwise.

In addition, the following terms, when used herein, have the following respective meanings:

Disclosure Information: the financial information and operating data relating to the Issuer for its fiscal year as specified in Subsection (a) of Section 4 hereof.

Fiscal Year: the period commencing on the first day of January of any year and ending on the last day of December of that year, or any other twelve-month period, authorized by law and specified by the governing body of the Issuer as the Issuer’s fiscal year.

Material: for those events that must be reported if Material, an event is “Material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material event is also an event that would be deemed Material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

MSRB: the Municipal Securities Rulemaking Board or any successor to its functions.



Official Statement: the Official Statement, dated December 8, 2017, relating to the Certificates.

SEC: the Securities and Exchange Commission or any successor to its functions governing state and municipal securities disclosure.

State: the State of South Dakota.

Section 2. Representations. Each of the parties hereto represents and warrants to each other party that (i) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (ii) it has duly authorized the execution and delivery of this Agreement, (iii) the execution and delivery of this Agreement and performance of the terms hereof by such party do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound, and (iv) to its best knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning the legal existence of such party, its power and authority to enter into and perform this Agreement or its due authorization, execution and delivery of this Agreement.

The Issuer represents and warrants that it is the only "obligated person" in respect of the Certificates within the meaning of the Rule.

Section 3. Appointment of Agent as Agent. The Issuer hereby appoints the Agent as its agent for the purpose of disclosing the information described in this Agreement in the manner set forth herein.

The Agent hereby accepts such appointment, subject to the terms and conditions of this Agreement. The Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Agent. In the absence of bad faith on its part, the Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates furnished to the Agent and conforming to the requirements of this Agreement.

Section 4. Annual Financial Information and Reports of the Issuer. The Issuer shall cause the Disclosure Information, audited financial statements and notice of certain events to be prepared and delivered to the Agent as hereinafter provided:

(a) on or before 365 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2017 (each a "Submission Date"), the following financial information and operating data in respect of the Issuer (the "Disclosure Information"):

(1) the audited financial statements of the Issuer for such fiscal year, accompanied by the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of South Dakota, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the Issuer, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under South Dakota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the

effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and

(2) to the extent not included in the financial statements referred to in paragraph (1) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings Appendix B "Tables I, II, III, IV, V, VI, VII, IX, X and XI";

(3) a certificate of the County Auditor of the Issuer stating in effect that such information is the Disclosure Information required to be submitted under this subsection (a).

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the Issuer shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the Issuer shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet Web site of the MSRB. The Issuer shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the Issuer have materially changed or been discontinued, such Disclosure Information need no longer be provided if the Issuer includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other Issuer operations in respect of which data is not included in the Disclosure Information and the Issuer determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph then the Issuer shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided..

(b) The Issuer shall also provide or cause to be provided to the MSRB notice in a timely manner not in excess of ten (10) business days of the occurrence of any of the following events or conditions of which any member of its governing body, the chief administrative officer, the recording officer or the fiscal officer of the Issuer has actual knowledge, information about which is not otherwise generally available to the public and which is Material:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults, if Material;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other



Material notices or determinations with respect to the tax status of the Certificates, or other Material events affecting the tax status of the Certificates;

- (G) Modifications to rights of security holders, if Material;
- (H) Bond calls, if Material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if Material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or a similar event with respect to the obligated person;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if Material; and
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if Material.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Section 5. Disclosure to Public. The Agent is authorized and directed to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time:

- (a) the information described in Sections 4(a) and (b) hereof, together with identifying information as prescribed by the MSRB from time to time with all documents provided to the MSRB under Section 4;
- (b) notification of the failure of the Issuer to provide Disclosure Information required to be provided to the Agent hereunder, within ten (10) days;
- (c) any amendment of or supplement to this Agreement entered into in accordance with Section 11 hereof;
- (d) the discharge of the obligations of the Issuer under the Resolution and the Indenture before the final stated maturity date of the Certificates or the defeasance of any Certificates under the relevant Indenture;



(e) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(f) any change in the fiscal year of the Issuer.

Section 6. Disclosure to Bondholders and Rating Agencies. The Agent is further authorized and directed to forward in an appropriate manner to any rating agency then maintaining a rating of the Certificates and, at the expense of such Bondholder, to any Bondholder who requests in writing such information, the information described in Sections 4(a) and (b), hereof, at the time of such transmission under Section 5 hereof, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

Section 7. Costs, Expenses and Indemnification of Agent. The Issuer hereby agrees to pay reasonable compensation of the Agent for, and all costs and expenses of the Agent incurred in, performing the services required of it under this Agreement. In addition to any and all rights of the Agent to reimbursement or indemnification or other rights at law or in equity, the Issuer hereby agrees to indemnify and hold harmless the Agent and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party may incur by reason of or in connection with the Agent's disclosure of information pursuant to this Agreement; provided that the Issuer shall not be required to indemnify the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or negligence of the Agent in such disclosure of information hereunder. The provisions contained in this Section 7 shall survive termination of the other provisions of this Agreement, the Indenture, the Resolution or the resignation or removal of the Agent.

Section 8. Defaults and Remedies. Failure of the Issuer or the Agent to comply with any provisions of this Agreement on its part to be observed shall constitute a default hereunder and any party hereto aggrieved thereby, including the holders of any Outstanding Certificates as third-party beneficiaries hereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder and are hereby waived to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Agreement constitute a default under the Certificates, the Indenture or the Resolution.

In addition to the foregoing remedies, in the event the Issuer breaches its covenant to provide the Disclosure Information to the Agent under Section 4 hereof by the Submission Date, and such breach continues for a period of ten (10) days after there has been given, by certified mail, to the Issuer by the Agent, or to the Issuer and the Agent by any holder of an Outstanding Bond, a written notice stating that it is a "Notice of Default" hereunder specifying such breach and requiring it to be remedied.

Section 9. Binding Effect; Bondholders as Third-Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Agent and their respective successors and assigns. In addition, this Agreement shall constitute a third-party beneficiary contract for the benefit of the Holders from time to time of the Outstanding Certificates. Said third-party beneficiaries shall be entitled to enforce performance and observance by the parties of the respective agreements and covenants herein contained as fully and completely as if said third-party beneficiaries were parties hereto; provided that this Agreement (other than this Section 9) may be amended or supplemented from time to time without notice to or the consent of such third-party beneficiaries. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their respective successors and

permitted assigns as provided herein, and the Holders of the Outstanding Certificates, any benefit or other legal or equitable right, remedy or claim under this Agreement.

Section 10. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 11. Amendments, Changes and Modifications. This Agreement (and the form and requirements of the Disclosure Information) may not be effectively amended or supplemented except in a writing executed by the parties hereto accompanied by an opinion of Bond Counsel to the effect that such amendment or supplement is required by, or better complies with, the provisions of the Rule or other applicable law. This Agreement may be amended or supplemented from time to time without notice to or the consent of the Bondholders (except as provided in Section 6 hereof).

Section 12. Resignation or Removal of Agent. The Agent may be removed at any time by the Issuer by a written instrument delivered to the Agent. The Agent may at any time resign and be discharged of the duties and obligations imposed on it hereunder by giving at least 30 days' written notice to the Issuer.

Section 13. Miscellaneous Provisions. (a) Execution Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(b) Construction. This Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

(c) Term. This Agreement shall remain in effect so long as any Certificates are Outstanding.

Section 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State.

MINNEHAHA COUNTY, SOUTH DAKOTA

Dated: December 1, 2017

By \_\_\_\_\_  
Chairman

And \_\_\_\_\_  
County Auditor



